Home Economics Research Report No. 21



# Helping Families Manage Their FINANCES

Agricultural Research Service
UNITED STATES DEPARTMENT OF AGRICULTURE

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Consumer and Food Economics Research Division
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# Helping Families MANAGE THEIR FINANCES

By *Consumer and Food Economics Research Division, Agricultural Research Service*

How can we stretch our income to meet the bills? How can we eat well at low cost? How much should go for housing or for buying a car? How much can we afford to buy on installments? How can we plan for educating our children? How should we prepare for retirement? Day after day, such questions are asked of home economists and others who are counseling families.

This publication tries to answer some of these questions. It has been prepared as a guide for extension workers, teachers, social welfare personnel, and others concerned with helping families use their incomes and other resources wisely. It describes the steps families may follow and some of the things they may consider in planning their spending.

## Section I.—Family Financial Management

Many families want help in managing their finances. Their reasons for seeking help cover a wide range. For some families the difficulty may involve overcommitment on installment debt.

Reduced income can cause difficulty. The principal breadwinner may face unemployment; the wife may have to give up her job; other secondary earners may leave the family or lose their sources of earnings. Other incomes may be sharply affected by death or incapacity of the breadwinner, or by retirement. Increasing prices may have the same effect as a lowering of income on the family's need to manage.

Other families are dissatisfied at seeing all the income, even a large one, slip away without having made progress toward such longtime goals as home ownership, provision for college education, for an independent old age.

The feeling of not knowing what expenses to expect often comes with a change in family composition or location. Newlyweds, for the first time facing responsibility for a household, frequently feel the need of guidance. The arrival of a baby, bringing an elderly parent into the household, or moving to a community with different living conditions may also lead a family to seek information or advice.

Conflicting interests and goals or the desires of one or two family members may bring the family to seek an impartial arbiter or to examine how other families manage. This need may be felt when one spouse stresses future security and the other current spending, or when a teenage boy presses for his own car, or a teenage girl wants clothing and a standard of housing the family cannot afford.

Managing a household is very different from operating a business.

The business manager, who combines materials and labor to make a product he sells, can measure his success in the profit or loss the business shows. The family's success in managing its resources is measured quite differently.

Financial progress is measured by the amount of change in the family's net worth—that is, the total of its assets minus any debts—from one date to another. However, other signs of successful family money management are equally, if not more, important; such as well fed, healthy, well educated, responsible members; and an attractive home and worthwhile family activities.

Some families seem to get much more than others out of the same amount of money and other resources. They have proved better managers in reaching their family goals.

Family management can be thought of as the crucial narrow channel of decision through which all the family resources must pass on their way to use in attaining goals of family living. The goals vary widely from family to family, according to their judgment of what is a good life and the urgencies of their various needs.

### *Family Resources*

Family resources include its money and credit, the material goods it has on hand or has access to, the community facilities available to it, as well as the time and energy, abilities and skills, interests and knowledge of the family members themselves.

Until such time as a family commits its resources to a particular use, they are available for anything the family may propose.

The resources are potentials. Money and materials, for example, and time, too, can be spent in an endless variety of ways, with widely different results. But when the resources have been spent for concrete things or accomplishments, they can seldom be changed. Time spent cannot be recovered. Usually, the same is true of money and other resources. Hence, it is crucially important that wise management decisions turn the family's resources into specific things or achievements that contribute toward the attainment of its desired goals.

Some families have more of some kinds of resources than of others. One family may have little money but ample time, abilities, and skills. Another may have more money but little time. The problem of family financial management, therefore, is to make the best expenditure of the resources that the family has or can get (money and other things) to take care of as many needs as possible, working down from the most to the least urgent. It is a problem of how to meet the family's wishes in the most economical and satisfactory way.

### *Haphazard or Impulsive Decisions*

Many families make their management choices hastily, with no deliberate thought as to their goals. Some even pride themselves on their happy-go-lucky spending. They may respond impulsively to sales pressure or the allure of a television commercial. So long as there is cash in the purse, or enough for a downpayment, or only a signature is asked, they buy on the spur of the moment. Too late they discover too many bills are coming due at one time, or there is no money to meet an emergency or to cover an urgent need.

### *Planned Spending*

Many people think budgeting is a strange process, too complicated for them. They could readily be shown that they have the basic outlines of a spending plan already in mind, and that they need only to fill in the gaps to have a complete budget on paper.

Those who do plan carefully weigh and consider various possibilities in the light of their goals. They know where it pays to use their own talents and the materials on hand. They make each purchase count. Those who plan their spending over a period of time, and critically appraise how their dollars shall be divided among different kinds of goods, services, and savings, are likely to succeed in reaching their chosen goals.

Many families have never considered the cost of their way of living as a spending plan made up of parts which they can examine, discuss, and evaluate. Yet probably most of them plan at least part of their expenditures. Many make and remake partial plans; others plan over long periods of time. They plan to paint the house, to trade in the car, to wear a winter coat for another season, or to increase life insurance. Such partial planning, however, is in their heads and not on paper.

The widespread increase in the use of credit in recent years has been blamed as a cause of families losing interest in budgeting. Where consumers once had to save up hard cash to make a large purchase, they now find merchants and dealers vying to offer a bewildering array of so-called "budget" accounts or credit plans. Installment and charge arrangements seem to take over.

That many families are still interested in budgeting, however, is shown by their requests for help in working out their spending plans. In many of the spending plans they will have to make provision for installment payments on purchases and loans, and for revolving credit accounts. Many families need help in planning, just because they have not realized the true costs of credit.

A reasonable balance between the expenses to which the family is committed—installment payments, home purchase payments, and insurance programs—and those that fluctuate from day to day and week to week—for example, food and recreation—can be more readily struck when all are seen as parts of a total spending pattern. (See chart 1.) Also, the parts can be judged as to which is most essential. If some are too high and others too low, they can and should be revised by the family when it critically evaluates its plan.

People will look with favor on planning when they learn that it helps them to get what they want. Unfortunately some believe that the main purpose of a budget is to save more, and that this means cutting down on spending for "fun and frolic." Actually, a spending plan is a means of cutting out inefficient spending, so that more money is left for things that are wanted, whether these are good food, a sizable bank account, or "good times." Each family must decide which things are first, in the light of its goals, and which things are less important. Savings may or may not be at the top of the list, depending on the family's own choices.

# FAMILY SPENDING PATTERNS, 1955

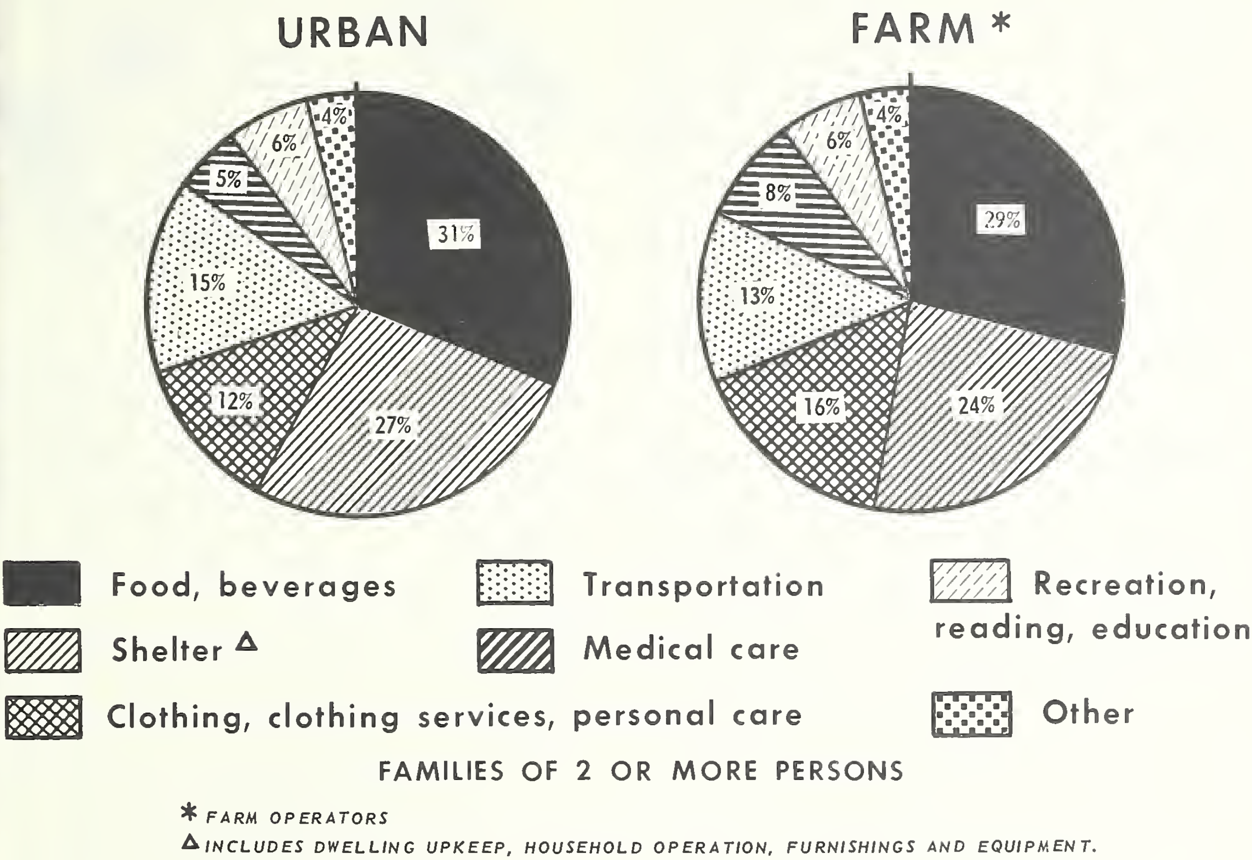


Chart 1

Some people shy away from budgeting as a tiresome matter of pinching pennies and neatly recording every one of them. Some think it means slavish bowing to rigid control with little freedom of choice. The fact is that budgeting is a helpful tool to ensure getting what the family wants most, whatever that may be. Developing and following a spending plan can be an adventure and a challenge in making the family dollars respond to the wishes of the family.

*Advantages of a written plan.*—The advantages of putting the spending plan on paper are many. The plan can be made complete, estimates of probable expenditure more exact, and times of peak expense better anticipated. Less important wants will be less likely to crowd out more desired wants, and criticisms and revisions can be made more readily.

Several family members can participate more easily in planning when the plan is written down. Decisions remain on record instead of being left to the hazards of memory.

The written plan, kept in a handy place, may stiffen resistance to door-to-door and other sales pressures. Frequent reference to it will help check expenses of the "nibbler" type—those that have to be watched. Following it will help the family be ready when it meets expenses of the "gobbler" type—those that take large amounts at certain times—and of the "smasher" type—the large unexpected ones.

*What a spending plan will not do.*—A spending plan, however, is not a magic solver of all of a family's financial problems. It will not increase the family's income or its regularity, nor eliminate all emergency needs for funds. Neither will it tell the family what things are good.

It will not necessarily promote savings. It is an aid to those who "want to save but can't" only as preplanning tends to place saving ahead of things less desired.

A plan will not automatically bring needed confidence and mutual trust between husband and wife and other family members in matters

contributing to, controlling, and spending the family income.

*Important byproducts of a spending plan.*—If a family does make and does try to follow a spending plan, however, certain byproducts are likely to result. Some of these alone may be more than worth any trouble and effort involved.

As various family members' needs and responsibilities are compared, their interest is aroused and their cooperation more readily obtained. Understanding of necessary sacrifices or substitutions is increased. Decision as to the most essential items leads to taking thought, and perhaps to a search for information.

An appraisal of income in relation to needs may result in one or several members taking steps to add to the family purse. The family may decide to appraise its net worth from time to time, and this may lead to a determination to see the family savings grow.

The undertaking may develop into a project that increases the responsibility and emotional maturity of family members. A careful look at family goals promotes an evaluation by the family of its standards of consumption, which lie at the base of its choices for spending. A family will feel a great difference between going without something it wants because it has not enough income to buy it and going without the same thing because it finds it not worthwhile for its objectives.

# Section II.—Choosing Goals

The family's first step in drawing up a spending plan is to set its sights, determine its goals. The members must decide what their needs and wants are, and which are of greater importance. In judging relative importance they may want to follow a one-, two-, three-star system, as suggested on page 22, or they may want to make several lists; or to put each item on a card and sort the cards until an order of importance is settled on.

Determining goals means thinking through not only monthly or yearly requirements, but the family's big aims for the next few years and even the more distant future.

Spelling out goals requires the cooperation of all family members mature enough to take part in planning, so that everyone will be satisfied with the results. Husbands and wives, especially when newly married, may have quite different ideas. A discussion of goals will help them to achieve a suitable balance and to decide upon objectives agreeable to both. As the children reach sufficient maturity they should be allowed to have a voice in this first planning stage. Family friction may thus be avoided.

Naturally no two families will ever choose exactly the same goals, because no two families have the same wants and desires. As a consequence, no two families ever have really identical spending patterns. This is one reason why no set "budget," allowing a certain portion of income for this item and a certain one for that, can be expected to fit all families. Instead, a spending plan is custom-made to fit the particular family and help it achieve its particular goals. One family may want above all else to have a large family, another to own its business or farm, or just be out of debt, while still another family may place greater emphasis on the social aspects of living and prefer to work toward improving the community in which it lives.

## Factors That Make Goals Individual

The principal factors that affect a family's needs and desires and its ability to meet them are given here. They make each family's goals and hence its requirements individual.

*Resources.*—Amount and regularity of income and other resources available for spending. Kinds of goods and services the family can provide for itself or receive free.

*Residence.*—Where the family lives—whether in a cold or warm climate; whether in a small town, suburb or large central city, in open country or on a farm; whether in a house, apartment, room or rooms; whether owner or renter; whether alone or doubled up with another family.

*Size and stage of family life cycle.*—Number and age of persons in the family—young newlyweds or elderly retired couple; single adult living alone or sharing living expenses; family of one or two parents or substitute parents with young child or children; parents with older children at home; and parents with older children away from home.

*Occupation.*—Kinds of work performed by head of family, homemaker, and other members of the family for pay—away from home or at home.

*Health.*—State of health of family members, especially of the breadwinner and of the homemaker.

*Education.*—Amount and kind of education received, being received, or anticipated by the breadwinner, homemaker, and other family members.

*Interests.*—Talents, hobbies, ambitions, preferences, value judgments. For example, some families and their friends set great store on outdoor life and sports, others on music, travel, reading, sociability, and so on.

*Experience.*—Previous experience of the family and its members—the things it is accustomed to doing and its habits of planning (or lack of planning) in spending.

*Community facilities.*—Kinds of facilities in the community for transportation, shopping, education, worship, cultural activities, recreation, and health care.

Each family then must think out, according to its standards of a good life, what it wants and how urgently it wants them.

## Goals at Different Periods in the Family Life Cycle

Naturally, as the family goes through the various stages of the family life cycle, its goals will change. American families also typically aim at an increasingly higher standard of living as the years pass. With new products offered, new ways of doing things discovered, and higher levels of productivity in industry and agriculture,

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families' standards of their needs tend to change.

Goals need to be reviewed from time to time, especially at each major change in the family life cycle or major change in circumstances.

The following stages are characteristic.

*The young person.*—The chief goal for the young person may be development. His investment may be chiefly in himself, for education and training in skills for a future vocation. If he is still supported by his family, his chief money needs are for clothing, recreation, and personal care. If he is considering marriage, he may be interested in saving to establish a home.

*The beginning family.*—The newly married husband and wife need to discuss and work out agreement on their aims in many fields of spending. They are faced with evaluating the many needs of establishing a home and a way of life. They may agree that the wife should continue working. Many young families strive to set aside some of their income for future needs, knowing that demands will be greater as the family grows.

*The growing family.*—As children arrive, family needs grow and longrun goals take on new importance. There is more need for reserve funds to meet anticipated and emergency expenses. The need for insurance on the life of the breadwinner is greatest while the children are small. Money expenses increase until education of the children is completed. Food and clothing needs grow as the children grow. Expense for acquiring a home and purchase of various durable goods is likely to be high and may be the chief kind of investment. Money savings may be difficult during this period, but a savings program toward long-term goals may be an important aim.

*The contracting family.*—As the education of the children is completed and they leave home to marry or go on their own, spending requirements and savings objectives change greatly. The need for insurance on the life of the breadwinner is greatly reduced. The kinds of emergency needs for funds are likely to change. Planning for retirement of older families comes to the fore. This plan would include finding out what the social security benefits may be expected to amount to; completing contributions to pension funds, income insurance policies, purchase of income-bearing property; making property transfer arrangements, and so forth. The older family is likely to have its home and equipment paid for. A younger family, where the parents may be still in their late thirties or early forties, may have devoted such a large portion of income to children that it may have remaining a substantial mortgage on the home or similar debts. When the children have gone, the parents may allow themselves somewhat more for clothing and recreation. The parents may have more leisure to pursue goals of personal development and expression.

*The retired couple.*—Social security, pensions, and returns from savings and insurance may provide for the expense of the retired couple. They are concerned with due caution that their reserves will last for the expected lifetimes of both. They may hope to leave an inheritance for the children or other heirs, though good health and a good education are excellent heritages. They may have property transfer arrangements to complete. Expenses for food, clothing, medical care, and recreation are important. With careful financial planning in preceding stages, the later years may be a period of mature enjoyment of the finer things of life.

*Single consumers not living in family groups.*—These persons have different spending and savings objectives than married people, because they usually do not have the same financial responsibilities and living pattern. They, as well as family groups, need to live effectively in the present as well as in the future. Their spending requirements will depend in part on whether they live alone or share living quarters and expenses with others, and on whether they are students, employed, or retired. They, too, need to evaluate their objectives at various periods in their lives, as changes occur in their circumstances and values.

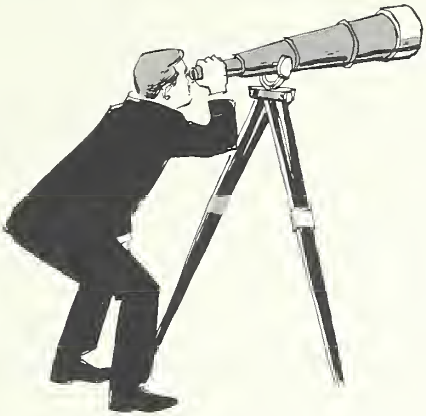
## Short-Term Versus Long-Term Goals

Some people may find it a help to think separately of goals (and the requirements needed to attain them) for this month, this year, the next 5 years, the next 20 years. The most effective planning order, however, is to begin at the future and work back to the present. In this way provision for a family's long-term goals is built into its more immediate plans and is not lost in the day-to-day demands. The annual spending plan should allow for both present and future spending. If there are leftover or past-due bills, the plan must also cover paying for past spending.

Families with very low incomes probably cannot hope to do much more than take care of their immediate needs and bills. They find it unrealistic or impossible to talk of long-term goals. Such a family's list of requirements might start with the most immediate and urgent, such as buying the week's food supply or paying the past-due bills. Much farther down its list, if at all, would come such longrun ambitions as providing college education for the children and an adequate program for retirement. Such families may need special help in spotting leakages, or they may need public assistance.

Families who have any excess over a bare minimum, however, will usually find it better to start their planning by looking at their long-

term goals. Steak in this week's food supply can all too easily crowd out a more distant goal, unless that goal is seen clearly and present provision made for it.



Whether a family begins by listing its longrun goals first or last is less important than that it shall think them through sometime, separately from its current needs, before its spending plan takes definite shape.

### *Objectives for the Next 20 Years*

A family's longrun financial aims, even more than its immediate ones, are governed by anticipated changes. The family knows in what stage of the life cycle it will probably be 20 years hence. The members have ideas as to the sources of their probable future income, whether from employment farther up the ladder; from business, farm or property income; or from retirement allowances or other reserves. They cannot know for sure but should allow for possible future price trends. They may expect that their own standards of needs may tend to rise as do those of many other American families. A home free of debt, assured children's education, and a comfortable retirement are likely to be major longrun aims for a family of moderate income.

### *Objectives for the Next 5 Years*

In looking ahead over a 5-year period, the family will picture the way its needs will change as it moves on in the life cycle and as its standards change.

It will also take into account the members' prospects for employment or other sources of family income. It will judge whether it believes prices are likely to go up, remain the same, or go down.

Some members may decide to change occupations. For example, a farmer on a noneconomic farm may decide to shift out of farming entirely, or to supplement his farm income by permanent outside work.

Such factors will influence a family's need for reserve funds for emergencies, its insurance and saving programs, and the kinds of commitments it wants to undertake.

Some of the financial objectives a moderate-income family might wish to set for itself over a 5-year period could include the following:

Making a downpayment, or substantially reducing the mortgage, or clearing the mortgage on home, farm, or other business.

Making certain home repairs, or additions, like painting the house or adding a bathroom.

Purchasing or replacing a car.

Purchasing or replacing major equipment or furnishings, such as new carpeting, or clothes washer and dryer.

Taking out, renewing or changing insurance on the life of the breadwinner, the home and its contents, the car or other major risks.

Adding to or completing a fund for college education.

Adding to or completing a fund for retirement.

Getting away from always having past-due bills or installment payments and cutting down on the program of committed payments.

Reaching a financial position so that the homemaker can drop employment outside the home.

Making schooling or child-care arrangements so that the homemaker can undertake full-time or part-time employment outside the home.

### *Objectives for the Present Year*

A specific goal for the year might be to correct certain lopsidedness—for instance, to reduce fixed obligations that are too heavy, to create a reserve fund if there has been none, or to allow more for an area of spending that was neglected last year. Another might be to fulfill an important wish that has been slated for this year.

The family's basic needs in minimum food, clothing, and shelter must be met, even at the sacrifice of future goals, if income is too limited to provide both. However, the general goal would be to make the best combination of present and future provision that the year's funds permit.

### *The Week's or the Month's Goals*

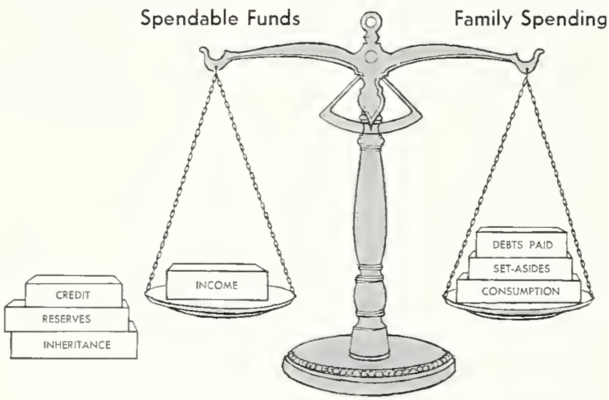
A reasonable short-period objective for most families would be to divide the available funds to meet that period's appropriate share of the year's spending requirements and to meet that period's special needs—perhaps an insurance premium, a new tire, or celebration of a family milestone—in addition to appropriate day-to-day requirements and reduction of debts.

To obtain a clearer picture of their financial needs for the year and its component budget periods, the family members will probably want to spell out in greater detail their requirements to meet these goals. They will need to determine what kinds and amounts of goods and services or dollar sums they place under each of the foregoing budget categories. This process, which leads the family into making a spending plan, is treated more fully in the following section III.

# Section III.—Making a Family Spending Plan

The household or family budget, like any other budget, is a plan for deciding how income shall be used over a period of time and how it shall be divided among different kinds of goods, services, and reserves or savings. It is a balancing of funds and requirements—of means and ends.

**HOW DO THEY BALANCE?**




## Spending Plan Distinguished From Actual Expenditures

The budget's form may look much like a summary of past or present actual expenditures; only the figures would be different. The budget or spending plan shows how the family proposes to spend its future income. It is built up from the ways in which the family expects to feed, clothe, and house its members, the kinds of recreation and other activities they plan to engage in and so on, through all their actions that will require money during the period. It also includes payments on debt and set-asides for future needs.

What a family has done with its money—what was its way of life and what were the resulting actual expenditures during a past period—is history. The money may have been well-spent or ill-spent. The expenditures may seem to have accomplished much or little of living. A summary of expenditures being made during a present period can serve as a good tool to test the spending plan in action, to see how it is turning out compared with the advance plan and what revisions in the plan may be desired.

### *Past Actual Expenditures a Basis for Planning*

The review of their past actual expenditures for, say, a year gives the family members a good takeoff for making a new plan. They will be reminded of the unexpected expenses, the surprising totals to which many small items add, and the big-pressure items that must be allowed for if the plan is to be one they can really carry out. The review will be easier if some members keep records as they go along. If not, however, they can usually estimate last year's actual expenses well enough for the purpose.

Ways of keeping accounts and records of actual expense are discussed in section IV. Estimating past expense without records is treated on page 12.

### *Shaping a Plan for Future Expenditures*

Section III deals chiefly with the way a family or single consumer goes about making a spending plan for the period ahead and judges whether the developed plan is likely to meet its needs.

## Period To Be Covered

The plan should be for a time long enough to cover the bulk of a family's different kinds of expenses and receipts of income, and to provide for future wishes as well as payments on past debts. The year is usually a good span. However, the plan may treat 2 years, a month, a pay period, or any other period with which the family is specially concerned. A short plan for a few weeks or months may be useful as a trial to see the advantages and the loopholes.

The year on which the annual plan is based may start at any convenient time. It may, but need not, be the calendar year. It may be the school year, or a fiscal year starting at any chosen date and ending 12 months later.

After the family has figured a year's plan, it may subdivide the results into whatever budget

operating period it finds most convenient for setting aside and spending funds. For a month's budget, the year's totals are divided by 12; for a week's budget they are divided by 52; and for a biweekly pay period, by 26.

## When To Start

### *For a Family That Has Not Made a Plan Before*

Any time is a good time to start a spending plan, and now is better than later. The sooner a plan is started, the sooner the family's dollars become more its servant and less its master.

Whenever a family is dissatisfied with its present spending results, when it does not seem to reach certain of its objectives, or when it is facing a changed situation, the thinking that goes into a spending plan will be particularly helpful.

*Getting family members interested.*—A family is off to a good start when all members agree that a plan is needed. Many families reach such an agreement easily. In some, however, the husband or wife may feel the need for planning, but get little support from other family members. These members may have to be "sold" on the idea.

Lack of money at some crisis may be a step on which to build. Desire to avoid such stress the next time may spur lagging interest. Or perhaps a member's strong important-to-him special wish—a vacation, a new rug, a new suit, "eating out," or a bigger personal allowance—may sharpen interest.

Family members who are indifferent may sometimes be won over by a demonstration that planning brings results even when it relates to only a limited area of the budget—clothing, recreation, personal allowances, or past-due bills, for example. A practical test may show that food money goes farther with a shopping list based on menus built around "best buys" listed in market reports in the newspapers, rather than frequent stops at the grocery store for a few items, which somehow grow into more, including perhaps the candies, cookies, and cakes chosen by the children who accompany the shopper.

### *For a Family That Has Already Made a Plan*

A family that has already made and followed an annual plan is likely to wish to continue, at least until it has found the general pattern that best suits its needs. Once the pattern is fairly well established, the family may not need to review its overall planning each year, until it comes up against a major change in needs or circumstances. It may rather concentrate on the day-to-day planning or on details of selected segments within the general plan.

## Who Shall Participate

### *Principle of Sharing Responsibility and Knowledge*

Except in unusual circumstances, as where one partner is incapacitated or very immature emotionally, it is desirable to have both husband and wife participate as equals. Planning will be most effective in a family where there is mutual confidence and trust. It will probably not be successful where one partner is dominant and uses financial control as a means of imposing his will on the other or on the children. When both husband and wife know fully the financial setting within which decisions are to be made, and respect each other's opinions, there can be teamwork in staking out needs and judging which are more essential. There are certain areas where the wife may be a better judge of needs; for example, replacement of sheets and towels. In others, perhaps car maintenance and house repair, the husband may see the needs more clearly.

There is the important job of steering or guiding the development and carrying out of the spending plan. Whether this assignment falls to the husband or wife depends largely on which has the time, interest, tact, and money sense to handle it. In many families it is a joint affair, with husband and wife cooperating as leaders.

### *In Farm Families*

In farm families the cooperation of husband and wife is especially important, if headway is to be made in financial planning. Funds for family living are usually pooled with those for farm operation. Should more money go to family living and a better house, or to buying land and equipment, building barns, and paying off mortgages? A new washing machine may have to be weighed against a new cultivator, the addition of a milking parlor to the barn against the addition of a bathroom to the house. Husband and wife may agree that the milking parlor is more important this year, because it will increase the income next year enough to pay for the bathroom. The family may want to list the home improvements or other major family living achievements it would like in the order of their urgency, to be made as funds permit. Careful and continued study and family cooperation will help to achieve balance between home and farm spending.

### *Participation of Children*

It is desirable for children to participate as early and as fully as their understanding and maturity permit. However, parents will need to decide how much and at what points the children should be brought in. As one homemaker

said, "Children have big mouths and neighbors pump them." Not even at high school age, for example, might it be suitable for them to know all the details or the total of income and all the concerns the parents face in meeting bills or deciding on investment programs. Even small children, however, will profit from seeing something of the work and responsibility needed to bring in family income and something of the basis upon which their share is determined. Their responsibility, future financial wisdom, and feeling of fair play will be increased as they learn more about alternatives.

## Shall the Plan Be General or Detailed

### *Sketchy but Completely Rounded Out General Plan*

A family may want a rather sketchy but completely rounded out general plan, covering all uses of its funds, but with day-to-day details left to be worked out as it goes along. The following form might be used for this kind of plan. For many families this form is all they need to show the major choices at stake. The family that has already developed a pattern of spending that needs only minor changes in practices may also find this form sufficient.

***Sketchy but Completely Rounded Out General Plan***

| Item | | | Amount per month (week, other) |
|---|---|---|---|
| Set-asides for: | | | |
| Future goals and emergencies | | | $ |
| Seasonal and large irregular needs this year: | | *Dates needed* | |
| Taxes | $ | | |
| Insurance premium | | | |
| School expense | | | |
| Special wishes | | | |
| Other | | | |
| Total | | | |
| Debt reduction | | | |
| Regular monthly or periodic obligations: | | | |
| Rent or mortgage payment | $ | | |
| Utilities | | | |
| Installment payments | | | |
| Other | | | |
| Total | | | |
| Day-to-day needs: | | | |
| Food | $ | | |
| Household | | | |
| Transportation | | | |
| Personal allowances | | | |
| Other | | | |
| Total | | | |
| Extras | | | |
| Total | | | |

### *Partial but Detailed Plan*

Another family may prefer a partial plan, that is, to focus attention on only one or a few selected sectors of the budget, as "household operation" or "recreation," or "past-due bills," which are proving to be the trouble spots or points of interest. They would then probably want to consider a fair amount of detail, perhaps only for a short period, for the selected sectors. A family new to planning might like to start in this way to see if it could achieve useful results in areas of special concern. Such a plan might also be used by a family that has already achieved a satisfactory general plan, and now wishes to examine certain budget sectors or spending areas more intensively at various times, as one or two in rotation each year, or one for a week or a month. Several examples of partial detailed plans are shown on pages 13–15 and 21.

### *General and Detailed Plan*

Once a family becomes interested, it may not be satisfied until it works out a combination of the two preceding plans; that is, a general plan covering all sectors but with at least some advance detail worked out for every sector. A complete list of major spending sectors and their component detail as classified in research studies appears on pages 32–33. In addition, there are the sectors of savings and debt reduction; and the family may wish to treat direct taxes (not deducted from pay nor counted with housing payments or taxed purchases) as a separate sector.

## Step I.—Estimating Funds Available for Spending

Before family members can set dollar amounts alongside various needs, they face the basic question, "How much will we have to spend?" They need to know what they can count on from all sources for the coming year—cash income, goods and services they may obtain without expenditure of funds (as pay, gift, and homegrown- and home-produced goods), and what reserves they are ready to draw on. How will the total funds compare with the proposed total of spending? How will the dates the funds will be received compare with the timing needs of the proposed spending?

### *Money Income*

Besides its main source of money income, a family may have several supplementary sources. If income is very irregular, it may need an estimate for each month or important period within the coming year. A family may find sufficient a form, such as the following:

***Estimated Money Income for*** ______ (period)

| Item | Amount |
|---|---|
| Wage or salary of: | |
| Member A | $______ |
| Member B | ______ |
| Member C | ______ |
| Other | ______ |
| Net profit from business, farm, or profession | ______ |
| Other money income from (What?):[1] | |
| ______ | |
| ______ | |
| Total | ______ |
| Total money income | $______ |

[1] Such sources as: Net profit from roomers or boarders; interest, dividends, trust funds; mineral leases, royalties, net rent from owned real estate; veterans' or servicemen's compensation, family allotments; unemployment compensation; old age pensions, social security, retirement pay, annuities; regular contributions from other persons, alimony, welfare; lump sum payments from insurance; net proceeds from sale of personal property; inheritance and gifts in cash or converted to cash; receipts from prizes or lotteries in cash or converted to cash; babysitting, lawnmowing, odd jobs; other.

*Exactness of money income estimate.*—Families that have already prepared income estimates for tax statements may find these estimates will serve their purpose very well. Fairly exact estimates are usually not hard for families that receive a regular salary, wage or pension, or have a business from which they take a definite amount each month. Families of storekeepers, doctors, farmers, and others in business for themselves cannot be so exact and may have to accept a rough guess which is subject to change during the year ahead.

Prices may change or unforeseen business expenses may cut funds for family living. The effect of weather on crops is usually unpredictable and important to farm income. Wage earners may be subject to unemployment hazards.

*Planning when amount of income is uncertain.*—If the family feels uncertain about how much money it can count on for family living, it may be wise to estimate the largest and the smallest amounts of spendable income likely to be available and to use the lower figure for the spending plan. The family with uncertain income should also take stock of the reserve funds it could draw on if income turned out to be low. It should give special attention to rating the urgency of proposed expenditures so it could omit the least essential if necessary.

## *Income in Kind*

A complete and meaningful list of a family's resources should include its income in kind, which could be added to its money income. Examples are food received as gift or pay, or home produced; housing received rent free as part of pay, or as gift, or without extra cost along with rent of farmland; free labor or professional services received; materials received as gift or pay; free transportation; and so on. The farm family may sell its cream for cash and buy butter at the store or it may keep the cream to make its own butter.

Many families may prefer to omit from their spending plan such items that do not call for actual changing hands of money. This is the simplest procedure. It has the advantage of keeping the lists shorter and of keeping the emphasis on money income and outgo.

Other families may prefer the completeness of also writing down the important items they expect to take care of without cash expense. Such a listing shows a truer picture of the level of consumption to be achieved, especially if the family receives a substantial part or all of some sectors of its living in kind. It also affords a clearer view of the places where cash spending requirements are lowered because (or might be lowered if) the family undertook to have a garden, keep chickens or cow, or otherwise provide its own needs or receive them free. The spending requirement lists of such families might include such items as: "Milk and butter—from cow" (value $30 per mo.); "Vegetables—from garden" (value in summer $25 per mo., value of canned and frozen produce $300); "Apartment rent—no expense, part of pay" (value $50 per mo.).

The family planner may place a money value on such things at the approximate market price the family would pay if it purchased them.

If he further desires he may add to "money income" a figure that is the sum of all the "money value of things received in kind." The new total may be labeled "total income"; or it could have the more specific though longer name of "money plus nonmoney income" or "money income plus income in kind."

## *Drawing on Reserves*

*Retired families.*—A retired couple, who made provision for retirement in earlier years, will likely use some savings to supplement their income. They should plan a regular schedule of cashing bonds or drawing on savings accounts or other assets, with due regard to leaving appropriate amounts for the expected remaining lifetimes of both.

*Families who have set-asides for wishes.*—If a family has been setting aside sums over past periods towards a certain "wish" that is slated to be fulfilled during the coming year, it can withdraw from these reserves enough to cover the cost. This amount can be added to income in estimating the current year's spendable funds.

### *Summary of Year's Spendable Funds*

The planning family is now ready to add the funds it can count on from the various sources considered, to find its estimated spendable total for the year. It may also now be able to judge at what times during the year the sums will be available if they will not be received regularly.

The year's total spendable money income could then be divided by 12 to show the amount that would be reasonable to spend per month; divided by 52, the amount per week; divided by 26, the amount per biweekly pay period. These figures are the ones to compare with the money cost of the family's wishes.

The following summary form may be helpful:

*Summary of Estimated Spendable Funds*

| Item | To be received in— | | | | | Year's total |
|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | ---------- | Dec. | |
| Money income | $______ | $______ | $______ | $______ | $______ | $______ |
| Reserves to be cashed | | | | | | |
| Total spendable money income | $______ | $______ | $______ | $______ | $______ | $______ |

## Step II.—Estimating Expenditures

The second basic question of the family planning a budget usually is, How much did we spend for what last week?, or last month?, or last year? With this information, even if only partially or sketchily complete, it can better tell what the probable cost of the coming year's needs will be.

### *Estimating Past Expenditures*

Forms for summarizing past expenditures have been developed by the Consumer and Food Economics Research Division. They are available to teachers and other leaders in limited quantities. They cover, in greater detail, the same categories and components listed on pages 32–33. To make such summaries a family need not have kept records. It can usually reconstruct or recall its past activities well enough to arrive at approximate figures that will serve for planning purposes. Checkbook stubs, receipts, or old bills may help accuracy but are not essential. For example, the family can usually name offhand the amounts of such regular payments as rent or mortgage and installment contracts. It also knows pretty closely, or can readily find out, what it has been paying for electricity, gas, heating fuel, taxes, insurance premiums, and some other large items.

For some other family expenses, such as food, clothing, medical care, transportation, furnishings and equipment, review of a detailed checklist or keeping a record for a short time will bring to mind items that might otherwise be forgotten. The details on any list are only suggestive. Those that do not apply to the particular family or are not of special concern to it may be skipped over. If the family needs only a sketchy estimate of past spending, it may prefer to estimate only the approximate totals for each major category, using any details merely as reminders of what is included.

Families may draw up a summary in the form best suited to their way of thinking. The purpose is not to follow any set method, but to find the way the family can most readily picture its past spending, including its savings or increase in debt. The marshaling of such facts is likely to arouse new interest of all family members.

### *Estimating Next Year's Expenditures*

For some families, the summary of last year's expenses, with a few changes to meet new conditions or wishes, will give a satisfactory guide plan for the coming year. If so, they would be ready to consider how best to carry it out.

Others may find they cannot use or are dissatisfied with last year's results as a basis for a new plan. A fresh approach and drawing up a new list of the family's spending requirements for the year ahead may be called for. Perhaps some sectors will require special attention, as in the examples on pages 13 and 14.

Even if the family should go no further than to jot down its major spending requirements for the year ahead, it would benefit. It would have the crux of a spending plan.

### *Need To Balance Future Needs, Current Requirements, and Past Debts*

To arrive at a reasonable division of its funds over a year, a family needs to consider how much should be set aside each week or budget period for the yearly and more distant goals and for possible emergencies; and then to examine whether the rest can be apportioned so as to

## *Detailed Plan for Clothing and Personal Care*

| Item | Amounts per member | | | | | | | Total for family | |
|---|---|---|---|---|---|---|---|---|---|
| | Member A | | Member B | | Member C | | Other | | |
| | Last period [1] | This period | Last period [1] | This period | Last period [1] | This period | | Last period [1] | This period |
| Readymade clothing: | | | | | | | | | |
| Major purchases (What?): | | | | | | | | | |
| ______ | $______ | $______ | $______ | $______ | $______ | $______ | $______ | $______ | $______ |
| ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Minor or small items (What?) ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Accessories | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Jewelry and watches | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Materials | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Sewing service and garment repair | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Shoe repair | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Drycleaning | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Cosmetics and toilet articles | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Beauty and barbershop services | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Total | $______ | $______ | $______ | $______ | $______ | $______ | $______ | $______ | $______ |

[1] Entries for "last period" are optional, but would give a basis for estimate for the coming period or year.

## *Detailed Plan for Taxes*

| Item | Check here if deducted from pay or included in other regular payment [1] | Dates direct payment will be due | Expense last year [2]— | | Amounts for this year that will be— | |
|---|---|---|---|---|---|---|
| | | | As deductions or in other regular payment [1] | Paid directly | Deducted from pay or included in other regular payment [1] | Owed directly (in excess of sums that will be deducted from pay or included in other regular payment) [1] |
| Federal income | ______ | ______ | $______ | $______ | $______ | $______ |
| State income | ______ | ______ | ______ | ______ | ______ | ______ |
| City income | ______ | ______ | ______ | ______ | ______ | ______ |
| Social security | ______ | ______ | ______ | ______ | ______ | ______ |
| Real property | ______ | ______ | ______ | ______ | ______ | ______ |
| Personal property | ______ | ______ | ______ | ______ | ______ | ______ |
| Street assessment, sewer, or other improvement | ______ | ______ | ______ | ______ | ______ | ______ |
| Automobile licenses | ______ | ______ | ______ | ______ | ______ | ______ |
| Other licenses | ______ | ______ | ______ | ______ | ______ | ______ |
| Other taxes (What?) ______ | ______ | ______ | ______ | ______ | ______ | ______ |
| Total | xxx | xxx | $______ | $______ | $______ | $______ |

[1] Such as monthly mortgage payment.

[2] Entries for "last year" are optional, but would give a basis for estimate for the coming year.

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| Item | Expense last year or period [1] | Planned expense this year or period | | |
|---|---|---|---|---|
| | | Every week or month | Special times—write in dates and amounts | Total for year or period |
| Community Chest or United Welfare Fund | $ | $ | $ | $ |
| Religious organizations (What?) | | | | |
| Gifts to schools, colleges, charitable organizations (What?) | | | | |
| Other charitable contributions (What?) | | | | |
| Christmas, birthday, and similar gifts to persons outside the immediate family (Who?) | | | | |
| Support of relatives or other persons not members of immediate family (Who?) | | | | |
| Other | | | | |
| Total | $ | $ | $ | $ |

[1] Entries for "last year or period" are optional, but would give a basis for estimate for the coming year or period.

provide enough of the present necessities and amenities and still pay any debts. In this division, decisions regarding savings and debt payments are reached in the same way as when choices are made among different kinds of goods.

The planning family will need to draw up at least sketchy (detailed if it prefers) lists of its requirements or needs for years ahead, for the current year, and for debts, if any. A good plan will aim at a proper balance between present and future needs, with neither sacrificed unduly to the other. Also, it will allow for prompt payment of debts as they become due.

The family's list of needs for years ahead grows out of its future goals or wishes discussed on pages 6 and 7.

The list of needs for the current year is built up from (1) regular and essential requirements such as food and shelter; (2) essential but irregular requirements (such as seasonal fuel and clothing, school supplies, medical checkups) which can be taken care of in part by scheduling them at different times through the year and in part by building reserves at each budget period to take care of them; (3) some possible large bills that cannot be foreseen, such as medical or other emergencies, which can sometimes be provided for at least in part by insurance plans or savings funds; and (4) all the other miscellaneous and extra expenses for family living and members' activities.

Its debt list grows out of the commitments the family has made in the past, the things it has acquired on time payment, and other obligations it has incurred.

## *Time Factor*

*Need to plan times of expected payment.*—One essence of budgeting or planned spending is to space out funds to meet needs over the week or month, the year, and the lifetime. Whether the family seeks a sketchy or a detailed spending plan, it may group its planned purchases by times it expects to make them or, to speak more exactly, by times it expects to pay for them. This timing summary tells how much money the family will need at various periods of the year and beyond.

If each month's income took care of each month's outgo, the family could ignore the time factor. It could merely follow a pay-as-you-go plan. But irregularity of some incomes, and the large cost all at once of certain types of needed purchases make this neat arrangement very rare.

*Need to balance spending with income periods.*—Almost every family has some periods when expense temporarily exceeds income. It is still true, however, despite the attractions and wide use of consumer credit plans, that a family cannot borrow on its future income indefinitely and make progress toward financial security. It must have some periods when income is greater than expenses, when it is setting aside reserves. The great merit of a spending plan is that it helps the family to recognize and regulate these periods in a helpful way, to avoid financial panic at one period and overspending in another.

*Need to spread big expenses.*—A key to a good plan is to spread big expenses and needed set-asides so that each month or income period bears a share of them. Installment payment and revolving credit plans offered by merchants or lending institutions help to spread big expenses, but at a cost. Such plans have gone hand-in-hand with lowered prices made possible by mass production. They have enabled many families

to acquire homes, automobiles, refrigerators, furniture, and other durable goods with money that might otherwise have disappeared in many small ways. The carrying-charge costs of credit accounts, however, and the ease with which a family may overcommit itself through their use may be so great that the family never seems to catch up. The family can spread out big expenses, without the carrying-charge costs and with its own planned choices controlling, by simply calculating its own spending plan, and stiffening the backbone in determination to carry it out.

### *Estimating Set-Asides Required for Future Wishes*

For which of the big future wishes does the family want to make some progress this year? What is the approximate cost and the hoped for year of achievement for each? From such facts the family can arrive at a tentative figure for amounts it needs to set aside each budget period this year to fulfill its wishes when the time comes. It might set the figures down in a manner somewhat as follows:

***Detailed Plan for Set-Asides for Future Wishes***

| Item | Probable total cost | Date when hope to achieve | Amount to set aside this year [1] | Amount to set aside per month (week, other) |
|---|---|---|---|---|
| College fund | $______ | ______ | $______ | $______ |
| Paid up home, farm, or business | ______ | ______ | ______ | ______ |
| Major equipment—purchase or replacement | ______ | ______ | ______ | ______ |
| Other (important wishes listed separately) | ______ | ______ | ______ | ______ |
| Total set-asides | $______ | xxxxxxxxxx | $______ | $______ |

[1] Plan may also show where funds are to be kept, as savings account or U.S. savings bonds.

*Planning for longrun financial needs.*—The further ahead a family thinks, the more clearly it will see the financial needs that will definitely arise as the years go by, and that it can plan for now to good advantage.

Housing requirements for years ahead can often be gaged quite accurately. Home improvements and additions to and replacements of furnishings and equipment can be scheduled in their order of preference as income permits.

Requirements of children can be expected to increase as they grow; their probable peak costs in high school or college years can be estimated from the experience of others. A college fund may be an important objective. In 1959, the mean for institutional tuition and required fees for 1 year's attendance at 196 representative colleges was $194 in the public institutions and $890 in the private institutions.[1] These data were calculated for the 196 representative institutions that were covered by Conrad and Hollis (*4*).[2] An estimate of student complete current expenses for 1 year, including room and board, clothing and incidental expenses, in addition to tuition and fees at colleges for 1960–61 was $1,300 in public institutions and $2,100 in private ones.[3]

Changes in life insurance needs at future stages of the family life cycle can be pictured, and amount and kinds of such insurance carried can be varied accordingly.

The kind of living that will be possible in retirement years can be thought out ahead. The family can find out the amount to be expected from social security or other pension or retirement benefits of both husband and wife and compare these amounts with those needed for their desired future living requirements. If the margin looks uncomfortably close, they may want to supplement by saving now to help yield a more generous living in old age.

A provident family wants funds or insurance to cover burial needs and to provide for surviving dependents in addition to such social security allowances as they would be entitled to. Members can check on how much group life insurance they may have as employee benefits. They may also want to check on contracts or other debt commitments that might become a problem or burden to survivors and make the best possible arrangements for their future handling. The husband—and wife also if she has separate or joint property—will probably make an appropriate will in accordance with laws of the State to make reasonably sure that his intentions will be carried out.

[1] Goldthorpe, J. H., Office of Education, U.S. Department of Health, Education, and Welfare, "Outlook for the Costs of Attending College," address at U.S. Department of Agriculture Outlook Conference, Washington, D.C., November 16, 1960.

[2] Italic numbers in parentheses refer to Literature Cited, p. 60.

[3] Data reported by Goldthorpe were computed for 1952–53 from tables 3 and 4 of Hollis and associates (*6*), and adjusted to 1960–61 by use of the U.S. Department of Labor, Bureau of Labor Statistics consumer price indexes and the increase in mean fees from 1952–53 to 1960–61.

*Planning for emergencies.*—The more carefully a family looks ahead, the fewer surprise needs are likely to arise. A family may find itself in a financial jam because it failed to allow for the special tax assessment, or because it did not note that the house would need a new chimney. But some critical situations cannot be anticipated. The house may burn down or be badly damaged; sickness may bring doctor's bills; or a family emergency in another town may make an expensive trip necessary.

Some of the many hazards that can bring temporary or permanent lowering of family income or unexpected emergency expenses are as follows: Accident, sickness, death, fire, storm, loss by theft or otherwise, damage to property of others, civil disturbance, war, unemployment, disability or other loss of earning power.

A thoughtful family will consider the possible ways it could meet such crises if they arise. Many try to provide an emergency fund by saving when needs are relatively low or income relatively high. Others make regular deposits each week or month in a special bank account, to be drawn on only for such special needs. Still others earmark certain kinds of income, such as the wife's earnings, for this treatment or contrive other ways to build an emergency fund. Many families take out insurance to cover some kinds of uncertainties—especially the one that would cause the most catastrophic loss, the death of the principal earner of a family with small children.

In deciding which risks to cover by insurance, a family may consider the following: (1) The chance the loss will actually occur, (2) whether the financial loss if it did occur would be much more than the family's reserves could stand, (3) whether the price of the insurance is reasonable for the protection offered, and (4) whether the cost of the premium can be fitted into the family budget without too great a strain on other important parts of family living.

A definite program of saving can go a long way toward providing a cushion for emergencies and funds for important future needs. Paycheck deductions for such things as savings bonds, group life insurance, and pension funds are parts of such a program. With careful planning, a family of modest income can usually manage at least a small amount of additional saving toward future needs. This saving will form a part of the set-asides in its present spending plan.

Whatever are the decisions, the annual spending plan should allow the proper amount of saving during the current period to meet the future program desired—if this can be done and still leave enough income to meet essential current needs.

*Summary of set-asides for the future.*—As an example of set-asides for the future let us assume that a family figures that at the end of certain periods it would like to have funds for the purposes shown in table 1. If the family could put into an account paying 3½-percent interest compounded semiannually and could continue the payment for the respective periods, it would then have enough cash in reserve funds to take the vacation, replace the equipment, repair the house, and send the boy or girl to college.

The interest earned would pay over a quarter of the combined cost of all these future wishes. This interest proportion would vary, depending on the time period; it would range from 1.7 percent of the total vacation fund to 37 percent of the total retirement fund. After 18 months, the monthly payments would drop by the amount being set aside for vacation, after 2 years by the amount being set aside for repairs to the house, and so on. The amounts so released could go for current living, or for the next vacation trip, next scheduled house repairs, or perhaps by that time the family would see other big needs ahead and want to start earmarking funds for them.

The family may be tempted to say, "This is the last, not the first step, in our plan. We'll save for college or retirement if there's anything left over from our monthly needs; we'll buy the equipment on the installment plan and manage the vacation somehow."

But if it does not at least try to build the important future wishes and longrun needs into

TABLE 1.—*Example of set-asides for the future*

| Purpose of fund | Needed in— | Total fund desired | Account paying 3½-percent interest compounded semiannually | | | |
|---|---|---|---|---|---|---|
| | | | Amount to pay per month first year | Amount to pay the first year | Total to pay in | Interest that would accumulate |
| Vacation trip | 18 months | $300 | $16.38 | $196.56 | $294.84 | $5.16 |
| Household equipment | 30 months | 400 | 12.88 | 154.56 | 386.40 | 13.60 |
| Repairs to house | 2 years | 300 | 12.18 | 146.16 | 292.32 | 7.68 |
| College fund | 10 years | 2,500 | 17.58 | 210.96 | 2,109.60 | 390.40 |
| Retirement | 25 years | 5,000 | 10.56 | 126.72 | 3,168.00 | 1,832.00 |
| Total | | 8,500 | 69.58 | 834.96 | 6,251.16 | 2,248.84 |

this year's plan, the family may always find the funds swallowed up by present spending. The "big-ticket" wishes will stay always hoped for, but never achieved.

True, because of temporary circumstances the family may decide a certain year is not the one in which savings for the future fit; but this decision, if it is the necessary one, is better made after the family has compared the alternatives and sees clearly what it is sacrificing by making the present purchases.

Besides, the family should remember this is only a first step. It can always come back and revise the plan if the set-aside figures look too ambitious compared with present needs.

## *Estimating Set-Asides To Cover This Year's Committed and Large Irregular Expenses*

What are the "gobblers" and "smashers" in this year's needs? How much has been committed to installment payments? When do insurance premiums and taxes come due? How much fuel is needed for the winter heating season? Will the old furnace have to be replaced? Is this the year for a big vacation trip or other big wish? How about that needed new suit or winter coat, or some new piece of furniture or equipment? Will there perhaps be large medical bills or some other emergency which could prove a budget "smasher"?

Over a period of a year, for the moderate-income family, expenses that come up only from time to time or at special seasons or dates may include the following:

Income and social security taxes, if these are not deducted from pay..
Property taxes.
Insurance payments.
Gifts and contributions.
Seasonal fuel bills, lawn and garden supplies as needed.
Maintenance of a car.
Housefurnishings and equipment, repair or purchase.
Major articles of clothing that meet the work, school, and social needs of the family.
Regular medical and dental checkups.
Seasonal school expenses such as books and supplies, tuition for college, special lessons such as music or dancing, perhaps private school expense for a child with special needs.
Vacation expense, such as transportation, food, and lodging away from home and other costs.

Many though not all of the requirements in the foregoing list must be faced by low-income families, too. They must have clothing and fuel. They must pay social security taxes and property taxes if they own property. They have health needs and sometimes unavoidable transportation expense.

*Fitting large expenditures into the longrun plan.*—Certain expenses are so large that many incomes can cover only one or two of them in any single year. Examples are the expense of a new baby, major equipment such as a new refrigerator, or purchase of an automobile. To provide for several such large expenditures, the spending plan would have to cover several years.

Purchases may have to be staggered so that brother gets a "good" suit one year and sister a winter coat the next. Furnishings for the kitchen and living room may have to take turns with overcoats, hospital bills, vacation trips, and house repairs.

If it is a year of unusually low income, or large emergency expenses, the planned-for large expenditure may just have to wait over for another year.

A piece of household equipment, or an automobile, may have to be used longer before it is replaced. The Consumer and Food Economics Research Division found the average family replaces a new refrigerator or range after 16 years, an electric washing machine after 10 or 11 years

TABLE 2.—*Average number of years selected items of household equipment are used by one owner*

| Item | New when acquired | Used when acquired |
|---|---|---|
| Electric refrigerators | 16 | 8 |
| Electric freezers | 15 | 11 |
| Ranges: | | |
| Electric | 16 | 8 |
| Gas | 16 | 9 |
| Electric washing machines: | | |
| Automatic and semiautomatic | 11 | 5 |
| Wringer and spin dryer | 10 | 6 |
| Electric automatic dryers | 14 | |
| Automobiles | 6 | 4 |
| Vacuum cleaners: | | |
| Upright | 18 | 8 |
| Tank | 15 | -- |
| Wool living room rugs | 14 | 10 |
| Sewing machines: | | |
| Electric | 24 | 16 |
| Treadle | -- | 13 |
| Toasters: | | |
| Automatic | 15 | 8 |
| Nonautomatic | 7 | 4 |
| Televisions | 11 | 6 |

Source: Studies by Consumer and Food Economics Research Division.

depending on type, and an upright vacuum cleaner after 18 years. The figures in table 2 may give families some idea as to how frequently they may need to budget items of household equipment.

If regular set-asides remain in a savings account long enough to earn interest, which adds up surprisingly fast, this extra income will help pay for part of the purchase price. The more cash the family has ready at the time of purchase, the better price bargain it can make and the shorter the term it may have to remain in debt if it buys on credit.

Paying a small amount down and spreading out the balance in installments over 18, 24, or even 30 months or longer is an increasingly common way in which families of modest income budget for large major purchases.

Here, there are three chief problems to watch: Whether the best available credit terms have been shopped for as carefully as the merchandise itself; whether the budget as a whole can stand the addition of these monthly payments; and whether the need to have the item now is really so great that it is worth the higher cost.

Indulgent family or friends may lend without interest or at lower interest rates than commercial institutions. But unless the family arranges prompt repayment to the friend or relative, it may rapidly wear out its welcome and not be able to borrow there in the future.

When the loan is from a business source, either in cash from a bank, credit union, or loan company, or in credit from a dealer or merchant, the family must repay the principal plus an extra cost, whether this is called interest, carrying charges, or something else. Especially on installment credit contracts and small loans, these costs are likely to be very high when computed as true annual interest rates—up to as much as 36 percent a year and sometimes much more. More information about rate computation and cost of credit is given in section VIII.

Over a period of years, the family that always owes installments loses in two ways—it never has the extra income from interest that its payments might have earned while they were accumulating, and it pays a credit price that is always substantially higher than the cash price.

The credit price can be easily computed, though often it is not shown. It is the sum of (a) the downpayment plus (b) the amount of the monthly or weekly payment multiplied by (c) the number of months or weeks required to complete the payment. Interest and other carrying charges are always a part of the installment credit price and they often greatly increase the total cost. The longer the time the payments are spread out, the higher is the total credit price. (See section VIII for method of computing credit costs.) For example, a refrigerator with a cash price of $249.50 has a credit price of $272.50 if the downpayment is $25 with monthly payments of $13.75 for 18 months. The same refrigerator costs $283 if purchased for $25 down and $10.75 a month for 24 months. The difference between cash and credit price is $23 in the first case, but $33.50 in the second.

These two sources of extra money—possible interest that could be earned plus credit charges saved—mean that for the same number of dollars spent, the cash-paying family gets more or better quality things—carpets, appliances, or whatever large purchases it chooses—than the one that pays in installments.

Another point to consider, though many families do not think of it in that way, is that each balance owing on installment is a debt, a kind of mortgage on wages or income not yet earned. As we have seen, various emergencies can cut off or reduce that future income, or create new needs that will make the payments difficult or impossible. This may lead to repossession, with loss of the payments made to date. In some cases, even repossession does not clear the debt; if a repossessed automobile, for example, does not sell for enough to cover the balance owed by the family, some States allow the dealer to make a legal claim on the family for the difference, plus sometimes an additional charge for the costs of repossession.

Such problems are avoided by the family that spaces out its big purchases and pays cash for them.

Despite the foregoing disadvantages, a family may decide the advantages of having immediate use of something are worth the higher cost. Then it will need to make sure, perhaps by a test of a couple of months, that it can meet the monthly payments without undue strain. Also, it should shop for best credit terms. There are often wide differences in offers. The family may find it can borrow money at a credit union, bank, or elsewhere at cheaper rates, pay cash for the purchase, and repay the money loan faster than it could have paid off the contract offered by the dealer. This arrangement would save money, compared with the more expensive installment purchase contract, though it would still cost more than if the family could pay cash.

*Monthly totals for set-asides.*—Let us suppose that the family planner lists these major committed expenses and large irregular ones so far as he can see them for the coming year according to the month in which they'll likely occur. These figures, added to the set-asides for the future, might look something like the following:

*A Family's First Estimate of This Year's Set-Asides, Committed, and Large Irregular Expenses, by Months*

| Item | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Year's total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gifts and contributions | $5 | | $20 | $5 | $5 | $20 | | | $20 | | | $100 | $175 |
| Income tax [1] | | | | 59 | | | | | | | | | 59 |
| Insurance [1] | | | 130 | | | | | | | | | | 130 |
| House taxes [1] | | | 88 | | | | | | 88 | | | | 176 |
| Mortgage payments [1] | 50 | $50 | 50 | 50 | 50 | 50 | $50 | $50 | 50 | $50 | $50 | 50 | 600 |
| New furnace | | | | | 480 | | | | | | | | 480 |
| Winter fuel | 45 | 45 | 40 | | | | | | | | 30 | 30 | 190 |
| New furniture | | 75 | | | | | | | | | | | 75 |
| New suit and coat | 105 | | | | | | | | | | | | 105 |
| Installment payments on: | | | | | | | | | | | | | |
| Refrigerator [1] | 14 | 14 | 14 | 14 | 14 | 14 | 14 | | | | | | 98 |
| Automobile [1] | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 480 |
| Subtotal | 259 | 224 | 382 | 168 | 589 | 124 | 104 | 90 | 198 | 90 | 120 | 220 | 2, 568 |
| Set-aside for future wishes | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 840 |
| Reserve for emergency | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 120 |
| Total | 339 | 304 | 462 | 248 | 669 | 204 | 184 | 170 | 278 | 170 | 200 | 300 | 3, 528 |

[1] Payments are those to which the family is committed by signed contracts or other legal requirements.

If they could spread all these payments equally through the year, $294.00 a month would take care of them all, including the new furnace. They could achieve this spread, if not in time for the present year, at least for the next, through their own budgeting, without paying additional interest and carrying charges.

It would not be so easy to reduce or postpone the legally committed expenditures as some of the others. Nevertheless, the family should not consider them inevitably fixed. Perhaps it might better itself by changing certain arrangements which would alter these payments, and could do so a little later if not this year. (See p. 22.)

### *Estimating Sums Needed for Past-Due Bills and Debts*

If there are debts, the family will help itself by writing them all down, seeing their total, and planning their reduction, in a manner somewhat as shown on page 20.

Clearing debts, or at least making regular scheduled reductions, is essential to a sound family financial position. If the payer is unable to meet a payment when due, but explains the reason to the creditor by going to see him or sending a note in the mail and states when he expects to make the next payment or works out a new payment schedule with the creditor, he may keep up his credit rating.

The family with a backlog of debts may consider whether they were caused by emergencies not likely to be repeated or whether they are part of a consistent pattern of attempting commitments that are too heavy—of buying too much too soon. If the second is the problem, the planners should look very sharply at adding any new installments until they have paid the old debts or at least whittled them down to proportions that do not too severely strap such current necessities as food and transportation.

*Detailed Plan for Past-Due Bills and Debts*

| Person or firm owed | Total amount now owed | Amounts to be paid (monthly, weekly, special dates, or other times) | Dates payments will be completed |
|---|---|---|---|
| Doctor______ | $______ | $______ per ______ | ______ |
| Landlord____ | ______ | ______ per ______ | ______ |
| Store_______ | ______ | ______ per ______ | ______ |
| Other_______ | ______ | ______ per ______ | ______ |
| Total_____ | $______ | $______ xxx xxx | xxx |

## *Estimating Sums Needed for Regular Monthly and Week-to-Week Requirements*

*Monthly bills.*—Food requirements are usually quite regular. Because food is basic to health, the planning family will not want to skimp on food expenditures in such a way that a nutritionally adequate diet is not obtained. Some bills come up regularly every month for any family. There is the rent if the family does not own its home. Then there are the utility bills, if these are not included in the rent—the electricity, gas, telephone if the family has one, trash or garbage collection charge if one—perhaps home-delivered milk bill, newspaper if it subscribes, and so on. Currently due installment payments and revolving charge account payments can be added here; also contributions to relatives and dependents, if they were not included earlier. The family can plan quite accurately and easily just about what these will amount to and whether they will vary from month to month.

Families usually give first thought to having on hand food and rent money. They will want to plan for—

Food that will provide enjoyable meals, nutritious and tasty, yet economical.

Shelter that is safe and decent, with arrangements for various activities of the family. For some this will mean rent and household supplies; for others, mortgage and utility payments and reserves for taxes and repairs.

As soon as it has met at least minimum needs for food and shelter, the family can consider its other requirements for current living, repayment of debts, and reserves for the future.

*Weekly and daily needs.*—Among the last items to be set down on the requirements list, but not least in importance, are the weekly and daily needs. Here are the expenses the family can change most readily, though not necessarily most wisely. Here are included the nibblers, those seemingly small, harmless expenses that sometimes add to much greater totals than the family realizes until it does some checking. The general plan provides a preliminary test of whether the amounts left for such spending, after set-asides and regular monthly bills, provide enough for the essentials and amenities of daily living.

Household operation needs are important in a weekly list; also automobile upkeep, and the personal allowance and usual funds each member needs. Expenses for laundry and drycleaning, cleaning supplies, equipment repair, bathroom supplies, light bulbs, and so on come into the household operation costs. Babysitters, yard help, or paid household help may be required. There may also be small furnishings and equipment needs.

For personal allowances the family may wish to assign to each member who is old enough an agreed upon sum and let him decide the division of it to meet his personal needs. Another family may find it works better to detail these requirements in the family plan, perhaps wishing to calculate for each member requirements in as much detail as shown in the form on page 21.

Suppose, for example, a family is concerned with checking excessive expenditure of money in certain areas, as perhaps through such nibblers as candy and snacks or small articles of clothing and personal care. It might then want to figure in detail what are reasonable personal allowances and hold spending to the agreed upon total, even though to preserve personal freedom it may not always care to ask individual members to account for their detailed expenses in these areas.

## *Estimating Sums Needed for Miscellaneous and Extra Expenses*

In a good spending plan, in addition to reserves for future wishes and important emergencies and allowances for regular monthly and weekly needs, there should always be some leeway for the small unexpected or forgotten items that are bound to come up and for extra treats to boost morale. Perhaps there are books, magazines, and records, some housing expense not already allowed for, flowers or garden supplies, legal expense, stationery, postage, and so forth. It is better to overestimate than to underestimate probable expenses.

## *Summary of Year's Spending Requirements*

With the information put together in the foregoing steps, the planning family is ready to add five totals for a first look at the cost of its wished-for year's expenses. The totals cover the following: (1) Set-asides for future long-term wishes and for possible emergency needs; (2) set-asides for this year's committed and large irregular expenses; (3) sums needed for past-due bills and debts; (4) sums needed for regular monthly and weekly needs; and (5) miscellaneous and extra spending. The sum of these totals is a first rough figure, ready for comparison with income and other resources, and it may have to be revised in their light.

### *Detailed Plan for Personal Allowances and Requirements of One Family Member*

| Item or category | Expense last year or period [1] | Planned expense this year | | | | | | | | | | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | |
| Meals, snacks, refreshments away from home. | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | |
| Clothing [2] | | | | | | | | | | | | | | |
| Personal care [2] | | | | | | | | | | | | | | |
| Medical and dental care and supplies. | | | | | | | | | | | | | | |
| Busfare, gasoline, auto upkeep. | | | | | | | | | | | | | | |
| Other transportation | | | | | | | | | | | | | | |
| Admissions, other entertainment, and recreation away from home. | | | | | | | | | | | | | | |
| Toys, hobby, sports supplies. | | | | | | | | | | | | | | |
| School supplies, tuition, special lessons. | | | | | | | | | | | | | | |
| Other reading materials, stationery, musical supplies. | | | | | | | | | | | | | | |
| Dues and contributions | | | | | | | | | | | | | | |
| Gifts outside the family | | | | | | | | | | | | | | |
| Gifts within the family | | | | | | | | | | | | | | |
| Future education fund | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | |
| Total | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | |

[1] Entries for "last year or period" are optional, but would give a basis for estimate for the coming year.
[2] In as much detail as desired, see p. 13.

## Step III.—Comparing Requirements and Resources

The planning family, at this stage in drawing up a plan, now has two crucial figures—the approximate total of its money requirements and the approximate total of its money resources for the coming year (and corresponding figures for each month or budget period). These must somehow be brought into balance.

### *If Resources Are Greater*

If the resources exceed the requirements, all is fine and the difference can be added to set-asides for future wishes, or to expand the list of wants to be satisfied this year. The family can probably congratulate itself on a good plan and turn to details of carrying it out. (See section IV.) If for some months requirements exceed resources, but over the whole year resources are sufficient, the main problem is to stagger or prorate expenditures by months.

### *If Requirements Are Greater*

If, as more probably will happen, the estimated requirements are greater than the prospective funds, the family needs to take a new look at all parts of the plan. There are many possibilities to consider before it strikes specific wants off its list.

*Possible reductions in requirements.*—Keeping in mind its major goals and its probable money to spend, the planning family is ready to take a new harder look at its requirements. The comparison might be as shown below.

*Reducing costs.*—Can estimated costs be lowered by accepting cheaper qualities of some things, or substituting other articles that cost less but serve the same purpose—like an eggbeater instead of an electric mixer, or new chair

| Item | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Money resources (spendable funds) | $470 | $510 | $598 | $585 | $805 | $450 | $333 | $435 | $535 | $325 | $400 | $400 | $5, 846 |
| Money requirements (first estimate) | 539 | 504 | 662 | 448 | 869 | 404 | 384 | 370 | 478 | 370 | 400 | 500 | 5, 928 |
| Difference | −69 | +6 | −64 | +137 | −64 | +46 | −51 | +65 | +57 | −45 | 0 | −100 | −82 |

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bottom instead of a new chair, or backyard barbecues instead of meals out and paid entertainment? (Where durability is important, as in some clothing, the higher quality is often more economical in the end.) Is there anything the family can make instead of buy—cakes, home shampoos and haircuts, girls' clothing, "handed down" or remade clothing, home improvements, painting, dyeing, home-produced fresh garden vegetables for instance? Or get free—camping facilities, recreation programs, sewing or craft instruction, public library books, magazines and records, and concerts?

Can goods be bought cheaper in quantity, or at sales, or from different sources of supply than the family has been using? (Has the home proper storage facilities to make quantity buying efficient? Also, can the family have sufficient funds available to buy in quantity at the times the sales occur?) Can the members use new methods in cooking or other procedures to cut costs? For example, can they cut down the heating fuel bill by buying insulating material paid for from reserve funds and installing it themselves? Can they paint or paper rooms themselves? What other economies are practical?

*Reviewing list of needs and assigning priorities.*—Assuming the family has done its best at shaving prices paid and costs, if the requirements are still too expensive some may have to be put off for a year or so, if not dropped altogether. After careful thinking and probably several family consultations, the members may now be ready to assign definite priorities or ratings to various wants.

Which are the most essential, three-star (***) items that the family must have? Certainly minimum food, clothing, and shelter come here, and there are other things the family will place in this class.

Which could the family postpone or do without this year if necessary, the one-star (*) items? Here are all the nice extras, the luxuries, and some of the big purchases the family hopes to make. Some can be carried over to the next or a subsequent year's plans, if need be, or postponed till later in the present year to see how the budget works out.

Which are the in-between, two-star (**) items? These are the things the family will not postpone if it can possibly find the funds to cover them this year, though it might hold back on some till later in the year.

In the weighing of claims of various needs there are many possible alternatives. Here fair play and mutual consideration among family members and the family's values of what things are good—its goals—are important guides. The family may have to choose between party dresses for daughter or a new coat for father. Perhaps they have to choose between music lessons for a talented member or a new television set, between cleaning up back debts or necessary but not urgent surgery. Perhaps painting the house looks possible only if nothing is put into this year's quota toward future wishes. Small, not-to-be-accounted-for, personal allowances or expense for some little things that ease the strain of daily living may be preferred on the list of needs to pushing too hard toward a big-ticket goal. These are the questions to which only the family can provide the answers most acceptable to it.

*Changing committed expenses and set-asides.*—Before the family planners decide they can make no further reductions on the spending side, they should scan what they consider to be their set obligations. If the total of contract payments they have already undertaken does not leave enough margin for day-to-day needs, some of the contracts may be just too expensive for the family to maintain.

The wise course might be to scale down or eliminate some of them, even though this might take time and cause some temporary inconvenience and disappointment. For example, the family might honestly ask: Would we be better off to turn in a too-expensive car and get a cheaper one, or go without for a while? Should we arrange to move to a lower priced house, or to convert an endowment insurance policy on the breadwinner into term or cheapest possible life insurance without extra features? Could we surrender or sell one unpaid-for item, even if at some loss, and use the payments we would be making on it to clear up other debts and thus keep up our credit rating? Could we borrow at lower rates to close out some high-carrying-cost charge accounts? Do the terms of our high-cost accounts permit this earlier paying off of principal and saving of carrying charges?

Should we drop membership in a club, or take Mary out of a private school? Are we unable to finance George further in college and should he seek a job or borrow from a campus loan fund or bank if he cannot win a scholarship to pay his own way?

*Possible ways to increase spendable funds.*—The family may conclude there is nothing more they can or are willing to cut. It may prefer to consider building up income or spendable funds as an alternative way to balance the budget.

Perhaps some members could take on additional or part-time employment, or find odd jobs to do. Son might cut grass or deliver newspapers. The wife might take a job. Perhaps some small business, service, or sales line could be developed on the side; the husband or wife might make some hobby or talent pay. Maybe business or farm efficiency could be increased by new methods or efforts. Perhaps, with different reserve or savings arrangements, some funds could earn interest or more interest than at present.

Such income-increasing possibilities might not be practical for some families. The family might conclude that the disadvantages of additional members entering the labor force would more than offset the added income they could bring in. The wife might be more needed at home with small children, or her earnings might leave insufficient margin above income tax and other costs of her working. The children might be too young or need their energies for schoolwork and growth. Extra work by the husband might mean sacrificing health or important time to be with his family.

Another source of funds might be drawing on some reserves. This might mean withdrawal from savings banks or other deposit institutions. It might mean cashing insurance policies, selling bonds or other properties or possessions. Many families find such reserves "lifesavers" in times of emergency or unexpected large demands. Families whose incomes fluctuate widely from year to year may draw on reserves to see them through a particularly low-income year. This is likely to be true with farmers and independent business and professional families. Families who have saved toward a particular wish or requirement may draw on those savings when the time arrives—for example, for a child's going to college or for buying a home.

A third possible source of funds for this year's spending might be to draw in advance on future income. This may be done in two ways—purchasing on credit or borrowing money. Both mean going into debt, promising to pay in the future for something received in the present.

If a family does not have enough cash income and available reserves to meet its emergency or "must," or even its highly desired needs, especially of the week-to-week variety, it may have no immediate alternative but to go into debt. Sometimes temporary factors make this necessary, or even desirable, depending on the future outlook of the family and purposes for which the borrowed funds will go—for example, an emergency operation, housing or equipment for a family expecting another child, or a college education. However, costs are involved, and the wise family will be alert to their amounts and their effect on its future budgets. (See section VIII.)

The family might be unwilling to sacrifice possessions or go into debt. The extent of its present commitments and the higher cost of installment purchase might indicate the family should rule out an increase in installment debt.

Again, these are decisions that in the end only the family can make, in accordance with its values and goals. It may find help, however, in making the decisions by thinking about the alternatives, by seeing that there are other ways of spending than the ones it has been in the habit of following.

### The Emerging Spending Plan

After the family has given thought to some of the foregoing or similar questions, it will be better able to decide what is "going to give" in bringing its plan into balance. Then, its revised figures provide the working basis of its spending plan, its guide.

In some temporary or special circumstances, it may be impossible for the family to balance funds and requirements. For an independent family, this will probably mean borrowing or a drastic temporary reduction in the level of living. For others, the only solution may be to seek public relief.

The spending plan should remain subject to continuing scrutiny as to its reasonableness and desirability. It should always be subject to change—not impulsive, but after due family consideration—as circumstances warrant.

### Outside Checks on a Spending Plan

*Comparison with norms.*—Various "rules of thumb" are sometimes quoted as guides. Examples are such statements as: "When a home is purchased with a small downpayment, the price should be below 2½ times the annual take-home income." "Total housing costs per month should not exceed 1 week's take-home pay." "No increase in installment payments should be undertaken until the family has a reserve fund equal to at least one week's pay; a month's is better." "The last installment should be paid before the purchased item is used up or worn out."

Such statements are sound, but they are not tailored to an individual family. They are usually based on average family spending or on the working experience of financing agencies that deal with many families. Included among the many who make up the average is a wide range of individual cases. Some are younger families with better prospects of income increase; others have steadier jobs; some have better health or more skills; some are in a sounder debt position

or have assets to draw on; some might be called house proud, others automobile enthusiasts; others are more willing to make different sacrifices; and many other special conditions could be mentioned.

Reasons why "recommended" or "normal" budgets, even if prepared by experts or based on experience of the "average" family, cannot be expected exactly to fit the needs of an individual family were discussed in section II.

*Constructed budgets for all classes of expense.*—More scientific work has been done in the field of nutritional recommendations than in other areas of family spending, and helpful food buying guides are available. Aside from food needs and basic sanitary requirements for housing, the experts are the first to admit the scarcity of fundamental scientific facts upon which to base recommendations or to define an "adequate level of living." The experts, in turn, work chiefly from data for average families which reflect accepted customary standards and the income levels, age and composition, location, occupational, and other special characteristics of the particular families included within the "average." Many of the "constructed budgets" are defined only for a family of one specified size and age composition. These budgets are useful to teachers and social workers but seldom to an individual family as a norm for judging its spending plan.

The U.S. Department of Labor has developed a City Workers' Budget, for a family of four, based on nutrition requirements, housing standards, and spending of urban families. (See p. 62.) A budget that provides a comparable standard of living for a retired couple, both of whom are 65 years of age or over, living in an urban area is also available. (See p. 62.)

Social agencies in many cities have developed budgets for low-income families. Other agencies, such as the Heller Committee of the University of California, have constructed budgets also. (See p. 62.) The Heller Committee published quantity and cost budgets for a family of four—man, wife, boy 13, and girl 8—at two income levels in the San Francisco Bay area. There was one for salaried junior professional or executive workers; a second one for wage earners gave separate detail for home owners and renters. These budgets were based on objective standards for food and housing and customary spending patterns for other goods and services by middle-income families in the area.

The Community Council of Greater New York prices a low-cost budget for self-supporting families in that city (*3*). This budget may be adjusted for families of varying age, sex, family status, and employment status.

These budgets are not designed as models to which families should mold their spending. They do not represent consistent patterns of an individual family. They are useful chiefly to teachers, social workers, and administrators to suggest the kinds, quantities, and cost of goods and services which meet specified standards and reflect consumers' choices at certain income levels. Factors other than consumer choice enter to some extent, too.

The Heller budgets, for example, allowed more for medical and dental care than is spent by most families in the United States, because the Committee believed that families in general need more of these services than they now get.

The City Workers' Budget and the Budget for a Retired Couple provide for food based on a midpoint between the U.S. Department of Agriculture's low-cost and moderate-cost food budgets. These in turn meet the recommended dietary allowances of the Food and Nutrition Board of the National Research Council. In translating the NRC nutrients into foods at different cost levels, average family consumption patterns are taken into account. The two Bureau of Labor Statistics budgets provide for housing standards of the Federal Public Housing Administration and the Public Health Administration.

*Constructed food budgets.*—Sometimes the suggestions of experts relate to some one thing such as food. Food budgets are most frequently available. Many farm and city families have planned their food according to suggestions in publications issued by the U.S. Department of Agriculture. Many social welfare agencies, both public and private, base their food allotments on these budgets. The USDA's food plans make suggestions in terms of broad groups of food, to allow for differences in family preferences and variety in menus. They are available at several different cost levels and are for different sex-age groups so that family totals may be made.

Some recent publications on food budgets are listed on page 61.

*Experience of other families.*—Though what is good spending for one family may not necessarily be good for another, many families find it stimulates them to compare their planning with that of other families in somewhat similar circumstances. Information on what other people spend for food, clothing, and other things needed for living may help families to avoid mistakes, like paying so high a rent or such large installments on a car that not enough is left for other important needs.

Facts about the spending of other families are especially useful to new families and those with no satisfactory spending records. Newly married couples may find helpful the records of friends who have recently begun housekeeping.

People find more meaning in the practices of other families if the place of residence, income, family size, and age are like their own. Data on average spending patterns of a cross section of American families, grouped according to some

of these key characteristics, are presented in section VI.

## Judging a Spending Plan on Its Merits

For a certain family at a certain period there is some approximately "right" or "most reasonable" portion of income to assign for a certain type of expense. This is not the figure in some magic or recommended budget; rather, it is the one that emerges from the family's own spending plan—the amount available for that purpose when other more important needs have been met. Some families discover the "right" amount expensively and stumblingly only by trial-and-error spending. They could find it more quickly and surely by the pencil, paper, and thinking process described earlier. They may test it by checks such as those discussed here that make sense to the family.

*How the spending pattern looks as a whole.*—Following are some questions the family may ask itself regarding the spending pattern:

(1) How well does the plan balance present and future and take care of past debts? (a) What portion of the planned spending total are the set-asides for emergency or planned future needs; (b) how much is for past debts; (c) what kind of present living is left after (a) and (b) are met? Would changes in the proportions these three take of our total spending improve our living pattern?

(2) Have all of the important family aims been provided for? (3) Is the plan lopsided at certain spots? (4) What are the items that are putting on the "squeeze"? (5) Are the requirements of one or two members taking an undue share of the total? (6) Are the nibbler items taking more than they are worth? (7) What are the important major purchases slated for the year? (8) Should some of the priorities or ratings assigned to certain needs be further revised? (9) Should the time for undertaking some of the big expenses be changed? (This is one way of changing their priority.)

*Comparison with the family's past spending.*—Its own past experience is usually the chief clue to the values a family sets store by and what it has learned about meeting its needs. Perhaps the record can be improved, but it gives a benchmark for judging.

Last year's spending, however, should withstand criticism before it can be fully relied on as a yardstick for the new plan. How does it stand up under the preceding questions? (1) What were the family goals last year and how did the expenses contribute to them? (2) Which purchases were more successful, more valued by the family, which less so? (3) Did the family get ahead last year or go in the red as shown by the figures? (4) Did it accomplish what it wanted with its money; if not, why not? (5) Where would the family like to see changes?

If the answers are generally satisfactory, the new plan may be closely patterned on last year's spending. Wherever the answers are unsatisfactory, the family has the opportunity, in its new plan, to improve the situation to the best of its ability.

*Is the plan realistic and flexible?*—A good plan should be a suggestion and guide, not something to follow slavishly. In fact, the plan is not likely to be used long if the family considers it an arbitrary dictator.

There is no merit in a spending plan that is impossible for a family to live up to, no matter how wonderful the plan might be for somebody else. A plan that is too rigid may only invite defeat.

Even though careful thinking produces a practical and useful plan, life is too uncertain and wants are too changing for families to map out exactly all spending far in advance. Important things may be overlooked; all the facts about prices may not be known at the time of planning; emergencies beyond those provided for may arise; a major change in requirements may occur. If the need arises the family with a good basic plan is in a better position to make wise changes than is one that has done no planning.

# Section IV.—Carrying Out the Spending Plan

Once a fairly firm spending plan has been shaped up, the family is ready to try it out in actual spending.

### A Home Office Center

Success in carrying out the spending plan may depend on simple things—such as having handy in a regular place a notebook or conveniently ruled pages and pencil, a spindle or clip to hold receipts and jottings of recent cash expenses, to be entered or totaled later. A good light helps. Also a place to file papers—not only bills and receipts but a safe place where the important papers—bankbooks and inventories of various types of possessions—are kept. Here the family financial plan, written down, should be readily at hand. Keeping all these things in one place makes the job easier and more efficient. It may be a special desk and file cabinet in the kitchen or family room. It may be just a dresser drawer or a homemade shelf with a metal box and a clothes pin for papers. Valuable papers, such as insurance policies, record of bonds, and social security numbers may be kept in a bank safety deposit box.

### Dividing Up the Jobs To Be Done

To carry out the plan is a joint process that can rarely be the sole responsibility of any one member. Nevertheless, some parts of the job may be done more efficiently, or pleasurably, by one family member than another. Just who shall do certain jobs at various stages of carrying out a spending plan will depend on a number of things.

Some tasks may be assumed by one or another family member by mutual agreement arrived at quite informally. In other families, there may be careful decision about delegating certain duties.

#### *Selecting the Recordkeeper*

Perhaps there is one person best equipped to be the family treasurer or bill payer. The same or another person could keep the accounts or records—one for the automobile, another for the food and housekeeping, still another for the insurance and taxes, for example. A high school student may like to summarize his own expenses and perhaps a segment of family expenses like clothing, or car upkeep. The husband or the wife may prove to be the person with greater interest, ability, or time. Whoever does the recording will, of course, need information and cooperation from all the others in the family. The summaries are a family affair that point up the success or lack of it in progress toward family goals.

#### *Gathering Facts*

A wide variety of consumer information can aid in getting the most from a dollar. Certain family members may look up facts on adequate diets and methods of storing and preparing foods. Others may check on desirable health practices; functional house design; usefulness and durability of fabrics and garments; selection, care, and safety of household equipment; performance of automobiles; comparison of price and quality of various grades at various outlets; difference between cash and credit prices; credit charges on various forms of installment and budget accounts and contracts; comparative costs of borrowing money from various sources, as banks, credit unions, small loan companies, dealers; advantages and disadvantages of various types of insurance, savings, and investment programs; and many other helpful topics.

These facts can be gleaned from many impartial sources of consumer information. The U.S. Department of Agriculture has publications on nutrition, food guides, food budgets, clothing, housing, and equipment. Other Government agencies have publications on special subjects of interest to consumers. State agricultural extension services have helpful bulletins. Private consumer research organizations and information councils have published results of quality and price tests and other performance data. High school and college textbooks on consumer economics and personal finance contain much helpful material. Many newspapers carry a once-a-week report on food supplies reaching the markets that show which items are good buys and which are scarce and expensive. Newspapers, women's magazines, and some trade journals carry informative articles.

### Doing the Shopping

The job of shopping for all the articles and services a family uses in a year is usually divided among the members. Their interests, maturity, time available, and access to places of purchase all have a bearing. Young children may learn by buying a few simple items at the drug or food store. The wife may do most of the food buying, and select the household supplies and much of the clothing; the husband may attend to the car and dwelling maintenance, insurance, and taxes. With the increasing number of working wives and large families, and the convenience of supermarkets, many men help with the buying of food as well as of household appliances. Many women have a say in selecting the new car. Teenagers are often responsible, under tactful general guidance and within set limits, for most of their own clothing selections. To have included everybody old enough in the planning stages helps to coordinate these later buying decisions.

Occasional family shopping trips or studies of advertisements and mail-order catalogs will help to keep all members aware of qualities and prices available and choices that can be made within the limits of the general plan.

### Keeping Accounts and Records and Handling Money

The heart of success in carrying out a spending plan is periodic checking to see that the dollars are really bringing in what the family wants most. This means comparing the total of money spent with the amounts planned. It also requires some system or planned methods of separating money for current spending and for reserves and payment of debt.

*The envelope method.*—Some people who shy away from figures may find the envelope or purse method the simplest way to live within their plan. At the start of the week, month, or pay period, they put into different envelopes, boxes, or coin purses, the amounts to be spent for specific purposes, such as: "Food and housekeeping"; "rent and utilities"; "lunches, transportation, and pocket money"; and so forth, as well as "reserve for big wishes or needs" and another "reserve for emergencies." They consider it a game or a challenge to come out without having to shift from one to the other. Anything left in the other envelopes at the end of the period can be transferred to the reserve envelopes and from there into a bank account or other place of safe deposit.

On the other hand, if the money in one envelope or purse gives out before the end of the period, someone or ones must decide whether to—(1) Go without any further purchases in that sector till the next income period; (2) "borrow" from one of the other envelopes, which means cutting planned expenses in the sector "borrowed" from; (3) dip into the "emergency" or "big need" reserves or draw on savings, if any; (4) borrow; or (5) buy now on credit and pay later.

If the decision is to borrow (4) or to buy now on credit (5), another envelope or purse must be provided in the future into which a still greater sum of money for repayment must go. While postponing payment may temporarily seem to solve the problem, the borrowing or credit-using family gets less—though different—goods and services for the same amount of money in the end than does the cash-paying family. When it uses the envelope method over a period of time, it can see more clearly what it is sacrificing—what other envelopes it has to take from and how deeply—in order to fill up the "payments due" envelope.

If the decision is to borrow from one of the other envelopes (2) or to dip into reserves (3),

it may be that the budget plan is not realistic, and should be revised; next month, perhaps the amounts put into the envelopes should be somewhat different.

If, however, the budget plan has been fairly well tested, such revisions should become less necessary and the question of "borrowing" from other envelopes should have to be faced less often. When it does arise, the decision can more often be to make no further purchases (1) without too great inconvenience or actual sacrifice.

There are obvious disadvantages to the envelope method. There is the danger of theft or mislaying of cash left lying about the home. There is also the inconvenience of not having the right envelope or purse at hand when a purchase has to be made. If these problems can be solved, however, it does afford an easy way to know financially what has been accomplished and what sacrificed in each time period. A sheet or notebook showing the amounts used each period from each envelope or purse requires very little work and provides an excellent record of financial achievement.

*The checkbook method.*—Many families find a joint checking account works better than assigning specific sums to one member or putting them in envelopes. They pay bills and draw cash as needed to meet their requirements within agreed-upon limits. They can see where they stand by a periodic review of checks written during a current period and of changes in bank balances and bills owing. Such a summary made, say, once a month can give a good overall picture. The gap in information, however, is likely to be in knowing for what certain, perhaps considerable. amounts of cash were spent. This gap may be filled by some tallying or totaling receipts for cash purchases.

*Savings account plus checkbook.*—Some families use a savings account for reserves and set-asides for such things as taxes and other expected large expenses of the year, and a checking account for the monthly and weekly needs. A second savings account for permanent savings or for accumulation until specified large wishes can be met helps keep funds straight and sets temporarily unused funds to earning interest.

*Tallying or recording expenses.*—Some people may wish a detailed tally of at least their cash expenses, to see where the money goes. A simple notebook ruled off like the following form or in various ways may be most convenient, especially for short control periods, to see what and how much are the nibbler items. A column for amounts received may be added by people whose daily income varies.

Other families may find they can more easily make a really satisfactory periodic reckoning if they tally all purchases as they go along, whether these are made by cash or check, by deduction or charge. The form below can also be used for such entries if desired.

***Form for Daily Income and Expense Record***

Year: 19____

| Date | Item | Amount received | Amount paid |
|---|---|---|---|
| | | | |
| | Total______ | $______ | $______ |

A family may like to use a form on which it can easily add up totals for the same categories or sectors shown in its general plan, or for the sectors in which it is particularly interested. The form on page 29 may easily be ruled off in an inexpensive notebook, perhaps looseleaf for greater flexibility. The account keeper would allow spaces for daily or occasional entries and totals for the month or period of concern. A family may write in the names of those categories on which it specially wants to check, and lump everything else under the "all other" category. If more space is needed for additional categories, two sheets or wide sheets with columns ruled off may be used. Usually, it will be easier to set up at the beginning a column for each subgroup for which a total will be desired than to pick out later and make totals for several subcomponents within the "all other" column.

The recordkeeper may prefer to purchase a readymade account book offered by State extension services or one carried by stationery or bookstores; or supplied by a bank or other financial institution. He may adapt them to his family's particular requirements or develop his own forms.

At a convenient time, such as when he returns home or right after supper, each member may report or record his day's expenses or leave a note on file. If funds are divided so that each person has certain sums, he may give to the keeper of the accounts once a week, or at such times as found best, a summary of where they went. For some kinds of spending control, it may be enough merely to keep track of the totals spent by each member. An "allowance" or "food fund" or "food and household purse" may be recorded as such with no accounting of its detailed use, if the effort required for such detailing is not warranted.

*Form for Expense Record by Categories*

(Enter daily, or from time to time as most convenient)

| Date | Item | Amount paid for | | | |
|---|---|---|---|---|---|
| | | Category<br>*Example: Food at home* | Category<br>*Example: Housing maintenance and operation* | Category<br>*Example: Automobile upkeep, operation, other transportation* | Category<br>All other |
| | | $____ | $____ | $____ | $____ |
| | Total----- | $____ | $____ | $____ | $____ |

## Summary of Estimates or Records

Just keeping a fine lot of neat figures, however satisfying this may be to some people, is not the purpose of estimating or recording family expenses. Their entire value lies in a critical examination of the composite picture they show and in comparing actual results with advance plans.

## Handling Reserve Funds—Management of Longrun Financial Program

The central problem of a family's longrun financial program is how, most economically, to have sufficient funds available when needed. Insurance to cover certain risks and emergencies, and planned set-asides were discussed in the planning section.

Set-asides may accumulate in a special checking account or in a savings account. They may be used to purchase U.S. Government savings bonds, shares in Federal credit unions or credit unions meeting State legal requirements, or deposited in federally insured savings and loan associations. They may be used to purchase State or municipal bonds or high-grade corporate bonds or stocks, or they may be invested in real estate or farm or other business.

In deciding which investment and insurance program best meets its needs, a family should give considerable weight to factors such as the following: (1) Comparative cost of providing a specified future sum by several methods; (2) safety of principal; (3) rate of return—amount of interest, dividends or profits earned; (4) cashability—rapid availability if needed for emergency; (5) amount of management attention—freedom from care of supervision of the investment; (6) hedge against inflation. For some families one of these considerations, for other families other ones, may be most or more important at certain periods.

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# Section V.—Evaluation

What are the "right" decisions? Is it "better" to spend money for a new car or a year of college; for a past-due bill or a new winter coat? How flexible should a spending plan be? To such questions of evaluation, no single answer is always suitable.

A spending plan is only an instrument whose performance can be judged. The family can and should make changes at the points it finds unsatisfactory. The plan is not sacrosanct. It must meet real needs and pass the tests of actual spending.

Helpful appraisal of a family's spending must always be on the basis of how the family sees its own needs. How can a family tell whether the goals it is working for are reasonable and desirable?

### Some Criteria of Wise Consumption Goals

Although there are no completely accepted rules for what is good, one competent observer (*8*, p. 393), drawing on the "considered judgments of the most thoughtful in regard to desirable expenditures" has offered a list, which may be stated in the following way.

Wise uses of time and money are those that will provide appropriate amounts of things—goods, facilities, means—for furthering or securing:

1. Health and vigor—and for children, optimum growth.
2. Education and training of children, and continuing education of adults.
3. Individual participation in such creative activities as painting, drawing, music, sports, dancing, handicrafts, dramatics, gardening, research, imaginative writing—or individual enjoyment of such creations of others.
4. Beauty inside and outside the home, and attractive personal appearance.
5. Friendly and affectionate contacts with other people.
6. Fun and play.
7. New experience in connection with people, places, things, and ideas.
8. Rest and relaxation.
9. Order and harmony in the routine of satisfying family needs; cut in time and effort costs of unenjoyable tasks involved.
10. Housing and equipment for the social and other activities that go on in the home and for individual privacy.

Such a list focuses on the ends for which consumers' goods and services are wanted.

The most basic check of a family's spending plan asks: Are the goals that underlie the plan those the family really needs and wants? A review of the plan in the light of the foregoing list may give an answer or suggest changes.

### If Spending Was Quite Different From the Plan

As the family looks over what it received for its money last year, it may notice some important things it did not get. If spending was quite different from the plan, the family may well ask, where and why? In answering the why's, the family may see its way to switches in spending that will improve another year's performance.

If the difficulties seem to lie in carrying out the plan, rather than in the plan itself, the chief need may be for greater self-discipline and better management. The family may need to work more on devices to check where and how the money is going and more on attempts to win wholehearted cooperation from every family member concerned. It may require new ways of reminding members to avoid impulse spending, new methods to avoid overcommitment. Family conferences, some changes in assignments of duties, new ways of handling funds, of recording or analyzing expenses, new practices in shopping, may help.

### Excessive Past or Future Spending

The family with a consistent record of never being able to catch up with bills probably has excessive debt. Such a family may have overspent in trying to meet too many or too ambitious needs too soon.

It has just two basic ways out—either to increase the income, or to make substantial improvements in spending efficiency. Until the family has brought its debts down to a more reasonable level, it may need to live on a good combination of the cheapest possible nourishing foods and cut other current costs. Reduction to such a debt level should release committed funds to bring up current living and to get ahead.

Another family may pride itself on keeping bills paid. It may have few debts or only those it retires rapidly, and have substantial savings in various forms. This family might ask: "Are we achieving this in addition to good present

living, or at the expense of it? Are we pinching vital elements out of our current living, being overly parsimonious because of fear of dependency, or some compulsive need to pile up assets?" The overly saving family whose current living fails to measure up might be well advised to relax its set-aside ambitions enough to permit such current spending.

## How the Family Feels About Planning and Its Financial Achievement

Lastly, in evaluating its experience with a spending plan, the family may consider: How do our several family members feel about the planning experience? Has it helped to bring tolerance, pulling together, and self-control? Were our discussions held in an impartial, friendly manner? Did we apply the yardsticks fairly? Did our attempt to follow a plan bring important goals nearer within practical reach? If not, where were the shortcomings?

Though all may not have worked out perfectly, the family that answers these or similar questions honestly is probably well on the way to successful family financial management. It can expect further improvement if it continues its planning efforts and its critical appraisal of spending results. The best criticism will not be unfriendly nagging but cooperative seeking of loopholes to plug and of ways and means for better success in reaching what the members value most highly.

# Section VI.—Expenditure Patterns of Other Families

Family spending patterns are helpful as a clue to what families consider important in their living. Though no two families use their incomes in exactly the same way, many families find it useful to know how the "average" family spends.

One way of examining expenditure data is to look at the dollars spent for family living that go to each of the various consumption categories. Another is to look at the proportion of each dollar that goes for food, shelter, clothing, medical care, and the other sectors. The latter sharpens our views of the relationship of the various parts to each other. Likewise, we can see more readily what shifts in spending are made by families when circumstances change; that is, when income increases or decreases, the family grows or diminishes. This kind of summary of family expenditures is referred to as the pattern of spending.

## Sources of Data Used

Data used in tables in this section, except where otherwise noted, are from publications listed in literature cited (*13*, *15*). In addition, some unpublished data from the study on farm-operator families are used.

The 1950 urban study provides data on money income and expenditures for family living and savings. The 1955 rural study provides data on money income, expenditures for family living and operation of the farm, personal insurance, and gifts and contributions.

The tables in this section are limited to consideration of the consumption phases of the budget. For farm-operator families, in addition, data on personal insurance and gifts and contributions are available and are shown. Data on division of income between consumption and savings are shown in section VII.

Net money income classes represent income after personal taxes. Personal taxes were deducted from gross money income to arrive at net money income. Farm income is cash income net after operating expenses.

### *Expenditure Classifications*

Items included within each expenditure group in the tables are as follows:

*Total consumption.*—All goods and services bought for family living during the calendar year, whether or not paid for in full. Consumer durable goods such as automobiles and household appliances are considered as consumption items, but dwellings are not. Expenditures include financing charges and interest on installment and other credit purchases, shipping and delivery charges, sales and excise taxes on the item to which they apply. Discounts and trade-in allowances are deducted from the gross price.

*Food and beverages.*—The total includes the sum of the two components shown and alcoholic beverages. Food at home includes all food bought to be served at home or carried from home in lunches. Food and beverages away from home (farm) and food away from home (urban) include meals bought at restaurants, lunchrooms, boardinghouses, and other eating places; ice cream, soft drinks, and other between-meal snacks bought and consumed away from home; for farm families, alcoholic beverages bought in bars and restaurants. For urban families, food away from home also includes the value of food received as pay for occupational groups other than domestic servants.

*Housing.*—Expenditures on off-farm dwellings include rent, special fees, bonuses, and commissions paid by tenants; property taxes, insurance, mortgage interest payments, special assessments, ground rent, financing and settlement charges. For all dwellings, includes all repairs, redecorating, and improvements paid for by the occupants. For farm dwellings, a share of the taxes, insurance, and mortgage interest payments paid on owned farms has been allocated to family expense. No rent has been allocated to family expense on rented farms, however. Lodging away from home and amounts spent on owned and rented vacation homes are also included.

*Housefurnishings and equipment.*—Includes expenditures for household textiles; floor coverings; furniture; kitchen, cleaning, and laundering equipment; china, glass, and tableware; lamps and light bulbs, fans, air-conditioning units, clocks, sewing machines, luggage, household tools; garden and lawn tools, and lawn mowers; and for farm families, the servicing, repair, insurance, and rental of housefurnishings and equipment.

*Household operation.*—Includes expenditures not covered by rent for heating and cooking fuels, gas and electricity; ice, water, and freezer locker rent and service charges. "Other" house-

hold operation includes expense for laundry sent out; cleaning of rugs and draperies; launderette and coin-operated washing machine service; wages and tips to domestic servants; fees to day nurseries, child care centers, and babysitters; servicing repair, insurance, and rental of housefurnishings and equipment (urban families only); telephone and telegraph service; moving, freight and express charges; postage and stationery; laundry soaps and cleaning supplies; household paper supplies; candles, matches, flowers for the house; and other such household supplies and services.

*Clothing and clothing services.*—Includes expenditures for all outerwear except special athletic clothing; underwear and nightwear; hosiery, footwear except special athletic shoes; hats, gloves, handbags and purses, umbrellas, handkerchiefs, belts, jewelry, watches and other accessories; materials for making of apparel; clothing services such as drycleaning, pressing, and dyeing, shoe repairs and shines, shoe polish, and laces; paid help for dressmaking and tailoring, clothing alterations and repairs; watch and jewelry repairs; rental of work clothing and other clothing.

*Transportation.*—For all families, the cost of transportation includes the family share of automobile purchase and all financing charges; automobile operation such as gasoline, oil, and lubrication; tires, tubes, and batteries; repairs and parts; insurance, licenses, registration fees, and taxes. For farm families, includes trucks, if used for family purposes, as well as automobiles.

"Other travel and transportation" includes local streetcar, bus, and taxicab fares; car pools and rental of automobiles; fares on trains, planes, ships, and interurban buses; tips and travel insurance; tolls and parking fees; purchase and upkeep of bicycles, motorcycles, airplanes, and boats.

*Medical care.*—Includes group hospitalization and medical care membership fees; disability, health, and accident insurance premiums; direct payments for services of physicians, specialists, surgeons, dentists, chiropractors, and nurses; X-ray and other laboratory fees; hospital rooms, nursing, and ambulance fees; prescription and nonprescription drugs, vitamin and mineral tablets; appliances and other medical care supplies and services.

*Personal care.*—Includes expenditures for all services at barbershops and beauty parlors; toilet soaps and toilet articles; shaving soaps and shampoos; toothpastes, toothpowders, and mouthwashes; cosmetics, perfumes, and deodorants; supplies for home permanents; combs, brushes, razors, and razor blades; cleaning tissues and other personal care items.

*Tobacco.*—Includes money spent for cigarettes, cigars, pipe tobacco, and other tobacco products; pipes, lighters, lighter fluids, cigarette papers, holders, cases, and all other smokers' supplies.

*Recreation, reading, and education.*—Recreation expenditure includes purchases of radios, TV, and musical instruments, phonograph and recording equipment, repairs and parts; musical instrument cases and racks; admissions to movies, plays, concerts, sporting, and other spectator events; toys; sporting goods and athletic clothing; phonograph records and sheet music; cameras, films, and photographic supplies and equipment; pets and pet foods; licenses and supplies; hobbies; prizes, decorations, and favors for parties; dues to social and recreational clubs. For farm families, it includes allowances to children, if the expenditures have not been reported elsewhere.

Reading and education includes cost of newspapers, magazines, and books, and book rentals and library fees; school tuition and fees; school supplies and equipment; music and dancing lessons, and other specialized education.

*Other goods and services.*—For urban families, expenditures for other goods and services include taxes, interest, and insurance on real estate not used for family business and not occupied or rented; interest on loans other than mortgages and business loans; bank service charges; funeral expenses for family members; legal expenses; money lost or stolen; expenses for raising food for family use; money allowances to children; and other expenses that cannot be allocated elsewhere.

For farm-operator families, includes funeral expenses for family members; legal and other fees for family business; bank service charges and safe-deposit box rental; rental of post-office box; money lost or stolen, amounts paid on articles repossessed; rent paid on a house not occupied; interest paid on money borrowed for family use other than house mortgage; occupational expenses; poll taxes, personal property taxes on furniture and other personal effects.

*Personal insurance.*—(Shown only for farm-operator families.) Includes life, endowment, annuity, and burial insurance premiums, contributions to social security, and to railroad, Government, and other retirement systems.

*Gifts and contributions.*—(Shown only for farm-operator families.) Includes cash contributions to persons outside the family (including alimony) and to welfare, religious, educational, and other organizations; expenditures for birthday, Christmas, and other gifts and services to persons not in the family.

### *Averages*

All averages shown are rounded to the nearest $10, and percentages have been rounded to add to 100.

### *Adjustment of Data*

Estimates of urban spending in 1955 were developed from the 1950 urban data so that urban and farm spending could be compared. The 1950 figures were adjusted in line with changes from 1950 to 1955 in aggregate consumer expenditures (*17*), the size of the population, and the change in the level of income (*5*). This adjustment reflects changes in prices and in consumption. It is assumed to affect all segments of the population equally. The estimates of urban savings have not been brought forward to 1955 for lack of appropriate information on which to base adjustments.

## How Data Are Obtained

In nationwide studies of consumer expenditures a cross section of families is interviewed intensively. Each family gives details of its spending, usually for a year, for food, clothing, housing, and so on through all the items of family spending. The details are built up from checkbook stubs, receipts, and other records, or from considered estimates.

The figures are entered on detailed schedules by carefully selected and trained interviewers. Once the entries are completed for the cross section of families, they must be reviewed for completeness, coded, and tabulated. In this way averages are calculated for the various items, on the basis of actual facts reported by groups of families throughout the Nation, without divulging confidential details for any particular family. Final analytical tables are then prepared and published.

## Stability of General Patterns in Surveys at Different Periods

Such nationwide studies covering all categories of the family budget are not available annually or even as often as every 5 years. Because of their high cost in both time and money, they are made only at occasional intervals. Although one would like to see current data for each succeeding year, the intervals between major studies have been more like 10 years and sometimes longer.

That the expenditure reports available pertain to a prior year does not seriously limit their usefulness as a tool in helping families plan their own spending. The dollar levels of expenses reported are, of course, influenced by the prices and incomes at the particular date of the study. The patterns of spending, however—the proportions or percentages into which the consumer dollar is divided—show much less change from one study to another. The effects on the spending pattern of such factors as age and occupation of head, education of head, size of family, income increase or decrease, urban or rural residence, continue to be surprisingly similar, whether a study is made in one decade or in another.

For example, the higher income families spent a larger portion of their dollar for recreation and reading and education than did the lower income families in the thirties and forties. They spent proportionately less for food. Similar tendencies appear in the data for the fifties.

The spending patterns of urban consumers in 1941 and 1950 are compared in table 3. Despite considerably higher price levels and incomes at the later date, as well as greater availability of consumer durable goods, there was surprisingly little change in the pattern.

Similar comparisons for farm-operator families show how slight were the changes in the spending patterns over a nearly 15-year period, from 1941 to 1955, when these are expressed in percentages.

TABLE 3.—*Comparison of spending patterns of urban families, United States, 1941 and 1950 and of farm-operator families, United States, 1941 and 1955*

| Category of expense | Urban families | | Farm-operator families | |
|---|---|---|---|---|
| | 1941 | 1950 | 1941 [1] | 1955 [1] |
| Total expenditures for consumption | *Percent* 100 | *Percent* 100 | *Percent* 100 | *Percent* 100 |
| Food and beverages | 31 | 32 | 31 | 30 |
| Housing and household operation | 24 | 20 | 13 | 13 |
| Housefurnishings and equipment | 5 | 7 | 8 | 8 |
| Clothing and clothing services | 12 | 12 | 17 | 15 |
| Transportation | 12 | 13 | 13 | 14 |
| Medical care | 5 | 5 | 7 | 9 |
| Recreation, reading and education | 6 | 6 | 5 | 6 |
| Personal care | 2 | 2 | 2 | 2 |
| Other goods and services [2] | 3 | 3 | 4 | 3 |

[1] Data for 1941 and 1955 adjusted for comparability.
[2] Includes tobacco and miscellaneous expenditures not included elsewhere.

Source: U.S. Bureau of Labor Statistics (*12, 13*); U.S. Department of Agriculture (*14, 15*).

It is these rather stable proportions of the spending dollar of the "average" family that make expenditure data still useful, even when they are not up-to-date. Accordingly, the data pertaining to 1955 presented in tables in this section should continue to be useful for a number of years to come. Expenditure data for 1961 will be available at a later date.

## *Use of Survey Data by Individual Families*

The percentages for a group of families with characteristics as nearly similar as possible to those of a family trying to plan, can often be taken as a start. These may readily be converted, as a rough guide, to the sums the family plans to spend after its set-asides for savings and reduction of installment or other debt. For example, the total the family has to spend for the year—say $4,500—is multiplied by the percentage for food reported by comparable families in the study—say 29. The result, $1,305, is the number of current dollars the planning family would spend for food in a year if it chose to follow the spending pattern of the families studied. Whether the family should follow the pattern, as has been stressed in sections II and III, depends on its own individual needs and judgments.

Another use of survey data for an earlier date can be made by a planning family or its advisor. They may prefer to ask the question, "How much money would it take at today's prices to buy about the same kinds of foods" (for example) "that the families surveyed bought in 1955?" Suppose comparable survey families spent on an average $1,130 for a year's food. To find the amount that must be added to our figure of $1,130 the first step is to find from the index numbers the percentage change in food prices[4] from the date of the study to the present or most recent date. Next, the $1,130 is multiplied by that percentage. The result is the amount to add to the $1,130 to answer the original question—the money required at today's prices to buy food similar to that purchased by the families surveyed.

Estimates can be made in the same way of the recent cost of clothing and other categories of expense for which consumer price indexes are published. Following are two examples:

Clothing and clothing services

| | |
|---|---|
| Estimated amount spent by 4-person urban families in 1955 with incomes of $4,000–$4,999 | $460.00 (table 6, p. 37) |
| BLS Price Index for Clothing (1957–59=100): | |
| In year 1955 | 96.7 |
| In December 1962 | 103.9 |
| Percentage increase in index from 1955 to December 1962 | 7.4 |
| 7.4 percent of $460.00 | $34.04 |
| $460.00+$34.04 | $494.04 |
| Equals amount of money required at December 1962 prices to buy clothing similar to that purchased in 1955 by the urban families surveyed. | |

Household operation

| | |
|---|---|
| Amount spent in 1955 for household operation by 4-person farm-operator families with incomes of $4,000–$4,999 | $360.00 (table 7, p. 38) |
| AMS Price Index for Household Operation (1910–14=100): | |
| In year 1955 | 195 |
| In December 1962 | 218 |
| Percentage change in index from 1955 to December 1962 | 11.8 |
| 11.8 percent of $360.00 | $42.48 |
| $360.00+$42.48 | $402.48 |
| Equals the amount of money required at December 1962 prices to pay for household operation that cost $360 in 1955. | |

Since, in fact, families have to cut down when prices go up and may cut more on some things than on others, this method is only partially satisfactory. For many planning purposes, however, it has qualified usefulness.

The method used in adjusting the 1950 urban data to 1955 is preferable when it is applicable. Since it is based on data for the entire country, it cannot be applied to relatively small groups, such as the farm population whose spending patterns differ from the average.

## *Spending by Urban and Farm Families*

The average spending in 1955 of urban and farm families of two or more persons is shown in table 4. This contrasts with table 3, where a single consumer is counted as a one-person family.

Farm people are spending more like urban people than they used to. Differences between their spending patterns have narrowed since World War II. Expenses for food and shelter, however, still take different proportions of the total money spent for consumption. Food and shelter expenses are lower for farmers. They raise a large part of their food, whereas urban families usually buy all of theirs. The retail value of food produced for home use in 1954 was $17 for urban households compared with $593 for farm households (*16*).

In contrast to the many urban families who pay rent, families on rented farms do not usually pay separate rent for the farm dwelling and none of the rent paid for the farm has been assigned as housing expense here. This accentuates the urban-rural difference in shelter expense.

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[4] Price changes are measured for urban families by the Consumer Price Index reported at regular intervals by the U.S. Bureau of Labor Statistics; they are measured for farm families by the Agricultural Marketing Service of the U.S. Department of Agriculture in the Index of Prices Paid by Farmers.

TABLE 4.—*Comparison of urban and farm-operator families, spending patterns, United States, 1955*

| Category of expense | Families of two or more persons | | | | Single consumers | | | |
|---|---|---|---|---|---|---|---|---|
| | Urban | | Farm | | Urban | | Farm | |
| | *Dollars* | *Percent* | *Dollars* | *Percent* | *Dollars* | *Percent* | *Dollars* | *Percent* |
| Total expenditures for consumption | 4, 940 | 100 | 2, 990 | 100 | 2, 330 | 100 | 1, 270 | 100 |
| Food and beverages | 1, 540 | 31 | 870 | 29 | 720 | 31 | 390 | 31 |
| Shelter (housing, household operation, housefurnishings and equipment) | 1, 350 | 27 | 720 | 24 | 720 | 31 | 380 | 30 |
| Clothing, clothing services, and personal care | 610 | 12 | 490 | 16 | 250 | 11 | 130 | 10 |
| Transportation | 720 | 15 | 390 | 13 | 380 | 16 | 160 | 13 |
| Medical care | 270 | 5 | 250 | 8 | 100 | 4 | 80 | 6 |
| Recreation, reading and education | 280 | 6 | 170 | 6 | 100 | 4 | 50 | 4 |
| Other goods and services [1] | 170 | 4 | 100 | 4 | 60 | 3 | 80 | 6 |
| Average size of family | 3.3 persons | | 4.0 persons | | | | | |

[1] Includes tobacco and miscellaneous expenditures not included elsewhere.

Source: U.S. Bureau of Labor Statistics (*13*). For adjustment to 1955 by U.S. Department of Agriculture, see explanation on page 34. Farm estimates based on unpublished data from study of farmers' expenditures in 1955.

The electrification of farms and the consequent introduction of running water and mechanical equipment like refrigerators, washers, freezers, and television into farm homes has resulted in farm families greatly increasing their expenditures on household operation.

Farm families of two or more persons spent fewer dollars, on the average, than urban families for all categories and for their total consumption. This is in part related to lower cash incomes reported by farm families. Though their families were larger, they spent less than urban families even for clothing.

## *Spending by Urban and Farm Single Consumers Not Living in a Family Group*

Farm operators living alone also spent less on their total consumption than did urban consumers not living in family groups in 1955. They spent less dollarwise in all categories except other goods and services. As a proportion of the total, they spent about the same as urban people for food, shelter, and recreation, reading and education; less for transportation, but more for medical care. Many of the urban consumers living alone were roomers, often women, whereas among the farm-operators there were relatively more men occupying a complete farmhouse.

## *Income Related to Family Size*

Income may remain the same while family size changes. Among both urban and farm families, however, average income is larger in the larger sized families, with the peak among families of four to six persons. These survey findings are confirmed by data from the U.S. Census Bureau presented in table 5. Large families tend to have more earners than small families; also, the period when the earnings of the family head are highest tends to coincide with that when the family is largest.

TABLE 5.—*Average (median) money income before taxes of urban and farm families, by family size, United States, 1955 and 1960*

| Family size | 1955 | | 1960 | |
|---|---|---|---|---|
| | Urban | Farm | Urban | Farm |
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| 1 person | 1, 476 | 628 | 1, 992 | 875 |
| 2 persons | 4, 035 | 1, 712 | 4, 867 | 2, 153 |
| 3 persons | 4, 994 | 2, 148 | 6, 056 | 2, 980 |
| 4 persons | 5, 257 | 2, 423 | 6, 606 | 3, 614 |
| 5 persons | 5, 369 | 2, 592 | 6, 712 | 3, 597 |
| 6 persons | 5, 112 | 2, 612 | 6, 500 | 3, 268 |
| 7 or more persons | 4, 956 | 2, 157 | 5, 945 | 2, 652 |

Source: U.S. Bureau of the Census (*10*, table 5; *11*, table 5).

## *Spending at Different Income Levels*

Spending patterns of families are different at different income levels. Expenditures in 1955 at selected incomes for four-person urban and farm families are shown in tables 6 and 7.

Generally speaking, the higher the income, the higher is the dollar expenditure for each category of expense. When all categories gain dollarwise, those that gain least take a smaller share of the larger total. Food and housing are in this group. Among farm families, medical care takes a smaller proportion of the dollar, furnishings and equipment a higher proportion as income rises. At higher levels among both urban and farm families a larger proportion of the family dollar is spent on transportation, and on recreation, reading, and education. Housing and household operation, clothing, personal care, and tobacco tend to get roughly the same proportion of the dollar, regardless of the level of income.

TABLE 6.—*Average expenditures of four-person urban families, by net money income, United States, 1955*

| Category of expense | Net money income class | | | | | Net money income class | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $3,000–$3,999 | $4,000–$4,999 | $5,000–$5,999 | $6,000–$7,499 | $7,500–$9,999 | $3,000–$3,999 | $4,000–$4,999 | $5,000–$5,999 | $6,000–$7,499 | $7,500–$9,999 |
| | Dollars spent | | | | | Percentage going to different categories | | | | |
| Total expenditures for consumption | 3,770 | 4,610 | 5,360 | 6,500 | 7,690 | 100 | 100 | 100 | 100 | 100 |
| Food and beverages—total | 1,390 | 1,570 | 1,740 | 1,980 | 2,240 | 36 | 34 | 33 | 30 | 29 |
| Food at home [1] | 1,220 | 1,350 | 1,440 | 1,560 | 1,620 | 32 | 29 | 27 | 24 | 21 |
| Food away from home [1] | 120 | 150 | 210 | 320 | 470 | 3 | 3 | 4 | 5 | 6 |
| Housing (dwelling upkeep) | 440 | 540 | 610 | 690 | 830 | 12 | 12 | 11 | 11 | 11 |
| Housefurnishings and equipment | 210 | 260 | 320 | 370 | 460 | 6 | 6 | 6 | 6 | 6 |
| Household operation—total | 340 | 390 | 460 | 570 | 660 | 9 | 9 | 9 | 9 | 9 |
| Fuel, light, refrigeration, water | 200 | 210 | 240 | 270 | 300 | 5 | 5 | 5 | 4 | 4 |
| Other household operation | 140 | 180 | 220 | 300 | 360 | 4 | 4 | 4 | 5 | 5 |
| Clothing and clothing services | 370 | 460 | 560 | 720 | 900 | 10 | 10 | 10 | 11 | 12 |
| Transportation—total | 430 | 620 | 760 | 1,050 | 1,270 | 11 | 13 | 14 | 15 | 17 |
| Automobile purchase, family share | 190 | 290 | 360 | 560 | 700 | 5 | 6 | 7 | 8 | 10 |
| Automobile upkeep, family share | 190 | 270 | 320 | 400 | 470 | 5 | 6 | 6 | 6 | 6 |
| Other travel and transportation | 50 | 60 | 80 | 90 | 100 | 1 | 1 | 1 | 1 | 1 |
| Medical care | 190 | 250 | 290 | 330 | 400 | 5 | 5 | 5 | 5 | 5 |
| Personal care | 100 | 110 | 120 | 150 | 160 | 3 | 2 | 2 | 2 | 2 |
| Tobacco | 80 | 80 | 90 | 100 | 110 | 2 | 2 | 2 | 2 | 1 |
| Recreation, reading and education—total | 180 | 270 | 330 | 440 | 550 | 5 | 6 | 7 | 7 | 7 |
| Recreation | 140 | 210 | 240 | 300 | 390 | 4 | 5 | 5 | 5 | 5 |
| Reading and education | 40 | 60 | 90 | 140 | 160 | 1 | 1 | 2 | 2 | 2 |
| Other goods and services | 40 | 60 | 80 | 100 | 110 | 1 | 1 | 1 | 2 | 1 |

[1] Excludes alcoholic beverages.

Source: U.S. Bureau of Labor Statistics (*13*). For adjustment to 1955 by U.S. Department of Agriculture, see explanation on page 34.

TABLE 7.—*Average expenditures of four-person farm-operator families, by net money income, United States, 1955*

| Category of expense | Net money income class | | | | | Net money income class | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Under $1,000 | $1,000–$1,999 | $2,000–$2,999 | $3,000–$3,999 | $4,000–$4,999 [1] | Under $1,000 | $1,000–$1,999 | $2,000–$2,999 | $3,000–$3,999 | $4,000–$4,999 [1] |
| | Dollars spent | | | | | Percentage going to different categories | | | | |
| Total expenditures for consumption | 2, 100 | 2, 780 | 3, 060 | 3, 650 | 3, 900 | 100 | 100 | 100 | 100 | 100 |
| Food and beverages—total | 680 | 860 | 880 | 1, 070 | 1, 130 | 32 | 31 | 28 | 29 | 29 |
| Food at home [2] | 590 | 740 | 740 | 870 | 920 | 28 | 27 | 23 | 24 | 24 |
| Food and beverages away from home | 80 | 110 | 140 | 190 | 180 | 4 | 4 | 5 | 5 | 5 |
| Housing (dwelling upkeep) | 130 | 160 | 180 | 190 | 210 | 6 | 6 | 6 | 5 | 5 |
| Housefurnishings and equipment | 120 | 200 | 250 | 250 | 320 | 6 | 7 | 8 | 7 | 8 |
| Household operation—total | 200 | 290 | 330 | 360 | 360 | 10 | 10 | 11 | 10 | 9 |
| Fuel, light, refrigeration, water | 120 | 190 | 220 | 230 | 210 | 6 | 7 | 7 | 6 | 5 |
| Other household operation | 80 | 100 | 110 | 130 | 150 | 4 | 3 | 4 | 4 | 4 |
| Clothing and clothing services | 310 | 410 | 450 | 500 | 580 | 15 | 15 | 14 | 14 | 15 |
| Transportation—total | 240 | 300 | 370 | 490 | 610 | 11 | 11 | 12 | 14 | 16 |
| Auto and truck purchase, family share | 80 | 90 | 140 | 190 | 300 | 4 | 3 | 5 | 5 | 8 |
| Auto and truck upkeep, family share | 150 | 200 | 210 | 280 | 300 | 7 | 8 | 6 | 8 | 8 |
| Other travel and transportation | 10 | 10 | 20 | 20 | 10 | (3) | (3) | 1 | 1 | (3) |
| Medical care | 180 | 250 | 240 | 310 | 260 | 9 | 9 | 8 | 8 | 7 |
| Personal care | 50 | 70 | 80 | 90 | 90 | 2 | 3 | 3 | 2 | 2 |
| Tobacco | 40 | 50 | 50 | 60 | 70 | 2 | 2 | 2 | 2 | 2 |
| Recreation, reading and education—total | 110 | 150 | 180 | 260 | 220 | 5 | 5 | 6 | 7 | 6 |
| Recreation | 90 | 110 | 150 | 200 | 160 | 4 | 4 | 5 | 5 | 4 |
| Reading and education | 20 | 40 | 30 | 60 | 60 | 1 | 1 | 1 | 2 | 2 |
| Other goods and services | 40 | 40 | 50 | 70 | 50 | 2 | 1 | 2 | 2 | 1 |
| Personal insurance | 70 | 70 | 70 | 100 | 90 | ------ | ------ | ------ | ------ | ------ |
| Gifts and contributions | 80 | 120 | 130 | 180 | 210 | ------ | ------ | ------ | ------ | ------ |

[1] Unpublished. [2] Excludes alcoholic beverages. [3] Less than 0.5 percent.

Source: U.S. Department of Agriculture (*15*).

## *Spending by Families of Different Sizes*

Among families of approximately equal income, as would be expected, those with more family members spend more for family living. Spending facts about urban families ranging in size from 1 to 6 or more persons in the median income class between $5,000 and $6,000 are shown in table 8. Data for farm-operator families with reported cash incomes between $3,000 and $4,000, the median class, are shown in table 9.

Large families, both urban and farm, tend to spend more than small ones for many kinds of things, but particularly for clothing and for food. They make up for this, in part, by spending less for housing. Large urban families as a group manage to cut back also on spending for transportation.

TABLE 8.—*Average expenditures of urban families having a net money income of $5,000 to $6,000, by family size, United States, 1955*

| Category of expense | Family size [1] | | | | | | Family size [1] | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 person | 2 persons | 3 persons | 4 persons | 5 persons | 6 or more persons | 1 person | 2 persons | 3 persons | 4 persons | 5 persons | 6 or more persons |
| | Dollars spent | | | | | | Percentage going to different categories | | | | | |
| Total expenditures for consumption | 4,330 | 5,080 | 5,390 | 5,360 | 5,520 | 5,620 | 100 | 100 | 100 | 100 | 100 | 100 |
| Food and beverages—total | 1,380 | 1,440 | 1,600 | 1,740 | 1,890 | 2,070 | 31 | 28 | 30 | 33 | 34 | 37 |
| Food at home [2] | 350 | 1,040 | 1,260 | 1,440 | 1,580 | 1,810 | 8 | 20 | 23 | 27 | 29 | 32 |
| Food away from home [2] | 800 | 310 | 250 | 210 | 220 | 200 | 18 | 6 | 5 | 4 | 4 | 4 |
| Housing (dwelling upkeep) | 730 | 690 | 670 | 610 | 580 | 510 | 17 | 14 | 13 | 11 | 10 | 9 |
| Housefurnishings and equipment | 120 | 370 | 340 | 320 | 310 | 310 | 3 | 7 | 6 | 6 | 6 | 5 |
| Household operation—total | 350 | 420 | 450 | 460 | 480 | 470 | 8 | 8 | 8 | 9 | 9 | 9 |
| Fuel, light, refrigeration, water | 70 | 180 | 220 | 240 | 250 | 270 | 2 | 3 | 4 | 5 | 5 | 5 |
| Other household operation | 280 | 240 | 230 | 220 | 230 | 200 | 6 | 5 | 4 | 4 | 4 | 4 |
| Clothing and clothing services | 430 | 460 | 520 | 560 | 590 | 670 | 10 | 9 | 10 | 10 | 11 | 12 |
| Transportation—total | 650 | 890 | 880 | 760 | 750 | 630 | 15 | 18 | 16 | 14 | 14 | 10 |
| Automobile purchase, family share | 270 | 450 | 450 | 360 | 380 | 300 | 6 | 9 | 8 | 7 | 7 | 5 |
| Automobile upkeep, family share | 240 | 360 | 360 | 320 | 270 | 250 | 6 | 7 | 7 | 6 | 5 | 4 |
| Other travel and transportation | 140 | 80 | 70 | 80 | 100 | 80 | 3 | 2 | 1 | 1 | 2 | 1 |
| Medical care | 190 | 280 | 290 | 290 | 260 | 270 | 4 | 6 | 5 | 5 | 5 | 5 |
| Personal care | 110 | 120 | 120 | 120 | 130 | 150 | 3 | 2 | 2 | 2 | 2 | 3 |
| Tobacco | 80 | 90 | 100 | 90 | 110 | 100 | 2 | 2 | 2 | 2 | 2 | 2 |
| Recreation, reading and education—total | 240 | 260 | 350 | 330 | 340 | 340 | 6 | 5 | 7 | 7 | 6 | 6 |
| Recreation | 180 | 210 | 260 | 240 | 250 | 240 | 4 | 4 | 5 | 5 | 5 | 4 |
| Reading and education | 60 | 50 | 90 | 90 | 90 | 100 | 2 | 1 | 2 | 2 | 1 | 2 |
| Other goods and services | 50 | 60 | 70 | 80 | 80 | 100 | 1 | 1 | 1 | 1 | 1 | 2 |

[1] Family size is based on equivalent persons, with 52 weeks of family membership equal to 1 person, 26 weeks equal to 0.5 person, and so on.
[2] Excludes alcoholic beverages.

Source: U.S. Bureau of Labor Statistics (*13*). For adjustment to 1955 by U.S. Department of Agriculture, see explanation on page 34.

## *Spending at Different Stages of the Family Life Cycle*

Each year brings some changes in the needs of most families. The changes tend to follow a definite pattern as the family passes through various stages—from that of the newly married couple; the family with a first baby; the family with children in school, then in college; and later the couple again, living alone after their children have gone to homes of their own. These changes are closely related to the age of the head of the family. Tables 10 and 11 show differences in spending among families of heads at various ages, with incomes between $5,000 and $6,000 for urban families and $3,000 and $4,000 for farm-operator families.

Among farm families with approximately the same incomes, spending for family living reaches its peak when the farm operator is between 45

Table 9.—*Average expenditures of farm-operator families having a net money income of $3,000 to $4,000, by family size, United States, 1955*

| Category of expense | Family size[1] | | | | | Family size[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2 persons | 3 persons | 4 persons | 5 persons | 6 or more persons | 2 persons | 3 persons | 4 persons | 5 persons | 6 or more persons |
| | Dollars spent | | | | | Percentage going to different categories | | | | |
| Total expenditures for consumption | 2,710 | 3,410 | 3,650 | 3,510 | 3,790 | 100 | 100 | 100 | 100 | 100 |
| Food and beverages—total | 680 | 930 | 1,070 | 1,060 | 1,210 | 25 | 27 | 29 | 30 | 32 |
| Food at home[2] | 600 | 770 | 870 | 870 | 1,000 | 22 | 23 | 24 | 25 | 26 |
| Food and beverages away from home | 80 | 150 | 190 | 170 | 200 | 3 | 4 | 5 | 5 | 5 |
| Housing (dwelling upkeep) | 250 | 200 | 190 | 210 | 160 | 9 | 6 | 5 | 6 | 4 |
| Housefurnishings and equipment | 180 | 250 | 250 | 290 | 270 | 7 | 7 | 7 | 8 | 7 |
| Household operation—total | 330 | 330 | 360 | 350 | 350 | 12 | 10 | 10 | 10 | 9 |
| Fuel, light, refrigeration, water | 210 | 210 | 230 | 230 | 220 | 8 | 6 | 6 | 7 | 6 |
| Other household operation | 120 | 120 | 130 | 120 | 130 | 4 | 4 | 4 | 3 | 3 |
| Clothing and clothing services | 260 | 440 | 500 | 510 | 610 | 10 | 13 | 14 | 15 | 16 |
| Transportation—total | 460 | 570 | 490 | 430 | 490 | 17 | 17 | 14 | 12 | 13 |
| Auto and truck purchase, family share | 200 | 260 | 190 | 170 | 190 | 7 | 8 | 5 | 5 | 5 |
| Auto and truck upkeep, family share | 230 | 290 | 280 | 240 | 280 | 9 | 8 | 8 | 6 | 7 |
| Other travel and transportation | 30 | 20 | 20 | 20 | 20 | 1 | 1 | 1 | 1 | 1 |
| Medical care | 260 | 270 | 310 | 250 | 270 | 10 | 8 | 8 | 7 | 7 |
| Personal care | 60 | 80 | 90 | 80 | 80 | 2 | 2 | 2 | 2 | 2 |
| Tobacco | 50 | 60 | 60 | 60 | 50 | 2 | 2 | 2 | 2 | 1 |
| Recreation, reading and education—total | 120 | 230 | 260 | 210 | 240 | 4 | 7 | 7 | 6 | 7 |
| Recreation | 90 | 180 | 200 | 160 | 180 | 3 | 6 | 5 | 5 | 5 |
| Reading and education | 30 | 50 | 60 | 50 | 60 | 1 | 1 | 2 | 1 | 2 |
| Other goods and services | 60 | 50 | 70 | 60 | 60 | 2 | 1 | 2 | 2 | 2 |
| Personal insurance | 60 | 80 | 100 | 110 | 90 | ------ | ------ | ------ | ------ | ------ |
| Gifts and contributions | 200 | 240 | 180 | 120 | 140 | ------ | ------ | ------ | ------ | ------ |

[1] Family size is based on equivalent persons, with 52 weeks of family membership equal to 1 person, 26 weeks equal to 0.5 person, and so on.

[2] Excludes alcoholic beverages.

Source: U.S. Department of Agriculture (*15*).

and 54 years old. Among older farm families—those whose heads are 65 or over and whose children have probably left home—spending is lower than among young families with heads 25 to 34 years old. The latter group includes many newlyweds and families with small children only. Urban families, on the average, tend to vary their spending somewhat less in the course of the family life cycle than farm families, and their peak in spending comes about a decade earlier, that is, when the head is between 35 and 44 years old.

Among families whose heads are between 25 and 34, housefurnishings and equipment, and

recreation are relatively more important than among older families. If the younger family lives in an urban area, transportation also takes a larger share of their family dollar.

In the middle years of the family life cycle, spending for clothing becomes more important among both urban and farm families. Transportation takes a larger share of the farm family dollar at this stage than earlier.

After the head of the family is past 55, household operation takes a larger share of both urban and farm budgets. For urban families, medical care also becomes more important, and for farm families housing and transportation take larger shares and medical care remains important.

TABLE 10.—*Average expenditures of urban families having a net money income of $5,000 to $6,000, by age of head, United States, 1955*

| Category of expense | Age of head | | | | | Age of head | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 25–34 years | 35–44 years | 45–54 years | 55–64 years | 65–74 years | 25–34 years | 35–44 years | 45–54 years | 55–64 years | 65–74 years |
| Average size of family | 3.4 persons | 3.7 persons | 3.2 persons | 2.5 persons | 2.4 persons | 3.4 persons | 3.7 persons | 3.2 persons | 2.5 persons | 2.4 persons |
| | Dollars spent | | | | | Percentage going to different categories | | | | |
| Total expenditures for consumption | 5,310 | 5,360 | 5,340 | 5,100 | 4,840 | 100 | 100 | 100 | 100 | 100 |
| Food and beverages—total | 1,560 | 1,740 | 1,650 | 1,630 | 1,560 | 29 | 33 | 31 | 32 | 32 |
| Food at home [1] | 1,220 | 1,380 | 1,300 | 1,230 | 1,250 | 23 | 26 | 24 | 24 | 26 |
| Food away from home [1] | 250 | 260 | 260 | 300 | 210 | 5 | 5 | 5 | 6 | 4 |
| Housing (dwelling upkeep) | 670 | 630 | 640 | 610 | 610 | 13 | 12 | 12 | 12 | 13 |
| Housefurnishings and equipment | 380 | 320 | 300 | 270 | 230 | 7 | 6 | 6 | 5 | 5 |
| Household operation—total | 420 | 440 | 480 | 460 | 500 | 8 | 8 | 8 | 9 | 10 |
| Fuel, light, refrigeration, water | 190 | 220 | 240 | 240 | 250 | 4 | 4 | 4 | 5 | 5 |
| Other household operation | 230 | 220 | 240 | 220 | 250 | 4 | 4 | 4 | 4 | 5 |
| Clothing and clothing services | 490 | 550 | 560 | 480 | 430 | 9 | 10 | 11 | 10 | 9 |
| Transportation—total | 930 | 760 | 750 | 790 | 660 | 18 | 14 | 15 | 15 | 14 |
| Automobile purchase, family share | 500 | 390 | 350 | 380 | 320 | 10 | 7 | 7 | 7 | 7 |
| Automobile upkeep, family share | 370 | 310 | 300 | 300 | 250 | 7 | 6 | 6 | 6 | 5 |
| Other travel and transportation | 60 | 60 | 100 | 110 | 90 | 1 | 1 | 2 | 2 | 2 |
| Medical care | 270 | 270 | 280 | 300 | 350 | 5 | 5 | 5 | 6 | 7 |
| Personal care | 120 | 130 | 130 | 120 | 120 | 2 | 2 | 2 | 2 | 2 |
| Tobacco | 100 | 100 | 100 | 80 | 80 | 2 | 2 | 2 | 2 | 2 |
| Recreation, reading and education—total | 320 | 340 | 350 | 260 | 240 | 6 | 7 | 6 | 5 | 5 |
| Recreation | 260 | 250 | 240 | 190 | 190 | 5 | 5 | 4 | 4 | 4 |
| Reading and education | 60 | 90 | 110 | 70 | 50 | 1 | 2 | 2 | 1 | 1 |
| Other goods and services | 50 | 80 | 100 | 100 | 60 | 1 | 1 | 2 | 2 | 1 |

[1] Excludes alcoholic beverages.

Source: U.S. Bureau of Labor Statistics (*13*). For adjustment to 1955 by U.S. Department of Agriculture, see explanation on page 34.

TABLE 11.—*Average expenditures of farm-operator families having a net money income of $3,000 to $4,000 by age of operator, United States, 1955*

| Category of expense | Age of operator | | | | | Age of operator | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 25–34 years | 35–44 years | 45–54 years | 55–64 years | 65 years and over | 25–34 years | 35–44 years | 45–54 years | 55–64 years | 65 years and over |
| Average size of family | 4.4 persons | 5.1 persons | 4.3 persons | 3.4 persons | 2.8 persons | 4.4 persons | 5.1 persons | 4.3 persons | 3.4 persons | 2.8 persons |
| | Dollars spent | | | | | Percentage going to different categories | | | | |
| Total expenditures for consumption | 3,140 | 3,700 | 3,810 | 3,100 | 2,630 | 100 | 100 | 100 | 100 | 100 |
| Food and beverages—total | 940 | 1,120 | 1,060 | 820 | 810 | 30 | 30 | 28 | 26 | 31 |
| Food at home [1] | 800 | 940 | 870 | 660 | 700 | 26 | 25 | 23 | 21 | 27 |
| Food and beverages away from home | 140 | 170 | 180 | 150 | 110 | 4 | 5 | 5 | 5 | 4 |
| Housing (dwelling upkeep) | 150 | 200 | 240 | 240 | 150 | 5 | 5 | 6 | 8 | 6 |
| Housefurnishings and equipment | 270 | 280 | 250 | 230 | 130 | 9 | 8 | 7 | 7 | 5 |
| Household operation—total | 320 | 370 | 350 | 340 | 300 | 10 | 10 | 9 | 11 | 11 |
| Fuel, light, refrigeration, water | 210 | 230 | 230 | 220 | 200 | 7 | 6 | 6 | 7 | 7 |
| Other household operation | 110 | 140 | 120 | 120 | 100 | 3 | 4 | 3 | 4 | 4 |
| Clothing and clothing services | 390 | 520 | 530 | 440 | 280 | 12 | 14 | 14 | 14 | 11 |
| Transportation—total | 420 | 470 | 590 | 420 | 520 | 13 | 13 | 15 | 14 | 20 |
| Auto and truck purchase, family share | 130 | 200 | 240 | 170 | 290 | 4 | 5 | 6 | 5 | 11 |
| Auto and truck upkeep, family share | 280 | 250 | 320 | 230 | 200 | 9 | 7 | 8 | 8 | 8 |
| Other travel and transportation | 10 | 20 | 30 | 20 | 30 | (2) | 1 | 1 | 1 | 1 |
| Medical care | 230 | 280 | 340 | 250 | 220 | 7 | 8 | 9 | 8 | 8 |
| Personal care | 80 | 90 | 80 | 70 | 50 | 3 | 2 | 2 | 2 | 2 |
| Tobacco | 60 | 70 | 60 | 60 | 20 | 2 | 2 | 2 | 2 | 1 |
| Recreation, reading and education—total | 220 | 220 | 270 | 180 | 90 | 7 | 6 | 7 | 6 | 3 |
| Recreation | 190 | 170 | 200 | 130 | 60 | 6 | 5 | 5 | 4 | 2 |
| Reading and education | 30 | 50 | 70 | 50 | 30 | 1 | 1 | 2 | 2 | 1 |
| Other goods and services | 60 | 80 | 40 | 50 | 60 | 2 | 2 | 1 | 2 | 2 |
| Personal insurance | 100 | 120 | 70 | 70 | 40 | ------ | ------ | ------ | ------ | ------ |
| Gifts and contributions | 103 | 180 | 220 | 190 | 150 | ------ | ------ | ------ | ------ | ------ |

[1] Excludes alcoholic beverages. [2] Less than 0.5 percent.

Source: U.S. Department of Agriculture (*15*).

## *Income Related to Age of Head*

In this discussion, based on tables 10 and 11, income has been held constant over the family life cycle so that the effects of age on spending practices would appear more clearly. However, income is not likely to remain constant throughout the life of an individual family. Family income tends to go up as the head of the family grows older, to reach a peak in middle age, and then to decline rather sharply as the head reaches retirement age. This fact is confirmed by U.S. Census data shown in table 12 for 1955 and 1960. Incomes are all higher in the later year, but the peaks occur in the same age brackets, earlier for farm than for urban families.

TABLE 12.—*Average (median) money income before taxes of urban and farm families, by age of head, United States, 1955 and 1960*

| Age of head | 1955 | | 1960 | |
|---|---|---|---|---|
| | Urban | Farm | Urban | Farm |
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| 25–34 years | 4,672 | 2,208 | 5,798 | 3,010 |
| 35–44 years | 5,295 | 2,748 | 6,581 | 3,314 |
| 45–54 years | 5,717 | 2,428 | 6,949 | 3,292 |
| 55–64 years | 5,061 | 2,072 | 6,250 | 2,688 |
| 65 years and over | 3,020 | 1,461 | 3,382 | 2,294 |

Source: U.S. Bureau of the Census (*10*, table 4; *11*, table 4).

TABLE 13.—*Average expenditures of farm-operator families, by region, United States, 1955*

| Category of expense | Northeast [1] | East North Central | West North Central | South Atlantic [2] | East South Central | West South Central | Mountain | Pacific |
|---|---|---|---|---|---|---|---|---|
| Average family size | 3.8 persons | 3.8 persons | 3.7 persons | 4.2 persons | 4.0 persons | 3.5 persons | 4.0 persons | 3.5 persons |
| | Dollars spent | | | | | | | |
| Total expenditures for consumption | 3, 450 | 3, 190 | 2, 760 | 2, 510 | 2, 360 | 2, 870 | 3, 600 | 4, 390 |
| Food and beverages | 1, 040 | 930 | 790 | 750 | 690 | 840 | 960 | 1, 230 |
| Housing | 310 | 200 | 180 | 140 | 130 | 150 | 320 | 400 |
| Housefurnishings and equipment | 200 | 230 | 200 | 180 | 200 | 190 | 250 | 300 |
| Household operation | 400 | 370 | 330 | 220 | 210 | 270 | 390 | 430 |
| Clothing and clothing services | 420 | 420 | 370 | 380 | 380 | 420 | 490 | 510 |
| Transportation | 470 | 420 | 310 | 320 | 300 | 420 | 440 | 660 |
| Medical care | 240 | 250 | 240 | 240 | 190 | 240 | 300 | 360 |
| Personal care | 70 | 70 | 60 | 60 | 60 | 80 | 80 | 90 |
| Recreation, reading and education | 190 | 200 | 180 | 120 | 110 | 150 | 250 | 270 |
| Other goods and services [3] | 110 | 100 | 100 | 100 | 90 | 110 | 120 | 140 |
| | Percentage going to different categories | | | | | | | |
| Total expenditures for consumption | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Food and beverages | 29 | 30 | 28 | 29 | 28 | 29 | 27 | 28 |
| Housing | 9 | 6 | 7 | 6 | 6 | 5 | 9 | 9 |
| Housefurnishings and equipment | 6 | 7 | 7 | 7 | 8 | 7 | 7 | 7 |
| Household operation | 12 | 12 | 12 | 9 | 9 | 9 | 11 | 10 |
| Clothing and clothing services | 12 | 13 | 13 | 15 | 16 | 15 | 14 | 12 |
| Transportation | 14 | 13 | 11 | 13 | 13 | 15 | 12 | 15 |
| Medical care | 7 | 8 | 9 | 10 | 8 | 8 | 8 | 8 |
| Personal care | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 2 |
| Recreation, reading and education | 6 | 6 | 7 | 5 | 5 | 5 | 7 | 6 |
| Other goods and services [3] | 3 | 3 | 4 | 4 | 4 | 4 | 3 | 3 |

[1] Includes Maryland and Delaware.
[2] Excludes Maryland and Delaware.
[3] Includes tobacco and miscellaneous expenditures not included elsewhere.

Source: U.S. Department of Agriculture (*15*).

### *Other Factors*

The region where the family lives (table 13), the education of the head (tables 14 and 15), and whether they are in business for themselves (table 16) also affect the way the family spends its money. In table 13 such other factors as income and family size that affect spending are not held constant, and these may in part explain the regional differences shown. In the last three tables, although income is held constant by considering only one income class, it was not feasible to hold constant also the effects of family size and some other factors.

On the other hand, families that are alike in all these and some other respects may still spend their money differently just because they want different things out of life, because their goals are different. To some families, for example, personal appearance is very important. As a result, their spending for clothing and personal care is high. Other families may prefer to wear less expensive clothes and visit the beauty parlor less frequently in order to have a nicely furnished house or the latest in kitchen equipment. Some families emphasize hobbies and recreational activities and entertainment, while others would rather seek less expensive entertainment and spend more for food. Families differ in the amounts they contribute to religious and welfare organizations or spend on gifts to persons outside the families. Some families choose to forego immediate enjoyment to save for some big things they want to buy in the future.

TABLE 14.—*Average expenditures of urban families having a net money income of $5,000 to $6,000, by education of head, United States, 1955*

| Category of expense | Education of head | | | Education of head | | |
|---|---|---|---|---|---|---|
| | Less than 9 years | 9 thru 12 years | 13 thru 16 years | Less than 9 years | 9 thru 12 years | 13 thru 16 years |
| Average size of family | 3. 3 persons | 3. 2 persons | 2. 9 persons | 3. 3 persons | 3. 2 persons | 2. 9 persons |
| | Dollars spent | | | Percentage going to different categories | | |
| Total expenditures for consumption | 5, 140 | 5, 240 | 5, 340 | 100 | 100 | 100 |
| Food and beverages—total | 1, 710 | 1, 620 | 1, 550 | 33 | 32 | 29 |
| Food at home [1] | 1, 370 | 1, 280 | 1, 130 | 27 | 24 | 21 |
| Food away from home [1] | 240 | 250 | 340 | 5 | 5 | 6 |
| Housing (dwelling upkeep) | 580 | 650 | 760 | 11 | 13 | 14 |
| Housefurnishings and equipment | 280 | 330 | 350 | 5 | 6 | 7 |
| Household operation—total | 430 | 430 | 460 | 9 | 8 | 9 |
| Fuel, light, refrigeration, water | 230 | 210 | 190 | 5 | 4 | 4 |
| Other household operation | 200 | 220 | 270 | 4 | 4 | 5 |
| Clothing and clothing services | 510 | 490 | 500 | 10 | 9 | 9 |
| Transportation—total | 740 | 830 | 830 | 14 | 16 | 15 |
| Automobile purchase, family share | 380 | 420 | 420 | 7 | 8 | 8 |
| Automobile upkeep, family share | 280 | 350 | 340 | 5 | 7 | 6 |
| Other travel and transportation | 80 | 60 | 70 | 2 | 1 | 1 |
| Medical care | 270 | 280 | 310 | 5 | 5 | 6 |
| Personal care | 130 | 120 | 120 | 3 | 2 | 2 |
| Tobacco | 110 | 90 | 80 | 2 | 2 | 2 |
| Recreation, reading and education—total | 300 | 330 | 320 | 6 | 6 | 6 |
| Recreation | 230 | 250 | 220 | 5 | 5 | 4 |
| Reading and education | 70 | 80 | 100 | 1 | 1 | 2 |
| Other goods and services | 80 | 70 | 60 | 2 | 1 | 1 |

[1] Excludes alcoholic beverages.

Source: U.S. Bureau of Labor Statistics (*13*). For adjustment to 1955 by U.S. Department of Agriculture, see explanation on page 34.

There are also other more or less temporary factors that may make the spending of one family very different in one year than another. Health, getting away for a vacation, family visits, emergency house repairs, or equipment or car failures may be different this year, with resulting changes in spending that may not be repeated in another year.

Spending changes do not always follow immediately upon changes in family situations. For example, various studies show there is a distinct tendency for changes in the spending pattern to lag behind changes in income. It takes a while to become adjusted either to a substantially higher or a substantially lower income, and during the first year or so at the new level the family may carry over its old spending standards and habits. Therefore, sometimes the family spending may appear to be quite out of line with its income, but if there is expectation of return to its former income, this deviation may be entirely reasonable. If the new income level is likely to continue, however, scrutiny of a spending plan may be in order.

TABLE 15.—*Average expenditures of farm-operator families having a net money income of $3,000 to $4,000, by education of operator, United States, 1955*

| Category of expense | Education of operator: Less than 9 years | Education of operator: 9 years or more | Education of operator: Less than 9 years | Education of operator: 9 years or more |
|---|---|---|---|---|
| Average size of family | 4.3 persons | 4.1 persons | 4.3 persons | 4.1 persons |
| | Dollars spent | | Percentage going to different categories | |
| Total expenditures for consumption | 3, 250 | 3, 490 | 100 | 100 |
| Food and beverages—total | 950 | 990 | 30 | 28 |
| Food at home [1] | 800 | 810 | 24 | 23 |
| Food and beverages away from home | 140 | 170 | 4 | 5 |
| Housing (dwelling upkeep) | 180 | 230 | 6 | 7 |
| Housefurnishings and equipment | 230 | 260 | 7 | 7 |
| Household operation—total | 310 | 380 | 9 | 11 |
| Fuel, light, refrigeration, water | 200 | 240 | 6 | 7 |
| Other household operation | 110 | 140 | 3 | 4 |
| Clothing and clothing services | 430 | 470 | 13 | 13 |
| Transportation—total | 530 | 430 | 16 | 13 |
| Auto and truck purchase, family share | 240 | 160 | 7 | 5 |
| Auto and truck operation, family share | 270 | 250 | 8 | 7 |
| Other travel and transportation | 20 | 20 | 1 | 1 |
| Medical care | 260 | 280 | 8 | 8 |
| Personal care | 70 | 80 | 2 | 2 |
| Tobacco | 60 | 60 | 2 | 2 |
| Recreation, reading and education—total | 180 | 240 | 6 | 7 |
| Recreation | 140 | 170 | 5 | 5 |
| Reading and education | 40 | 70 | 1 | 2 |
| Other goods and services | 50 | 70 | 1 | 2 |
| Personal insurance | 70 | 110 | ---------- | ---------- |
| Gifts and contributions | 150 | 200 | ---------- | ---------- |

[1] Excludes alcoholic beverages.

Source: U.S. Department of Agriculture (*15*).

TABLE 16.—*Average expenditures of urban families having a net money income of $5,000 to $6,000, by occupation of head, United States, 1955*

| Category of expense | Occupation | | | | Occupation | | | |
|---|---|---|---|---|---|---|---|---|
| | Semi-skilled wage earner | Skilled wage earner | Clerical and sales worker | Salaried professional and official | Semi-skilled wage earner | Skilled wage earner | Clerical and sales worker | Salaried professional and official |
| Average size of family | 3.5 persons | 3.2 persons | 3.0 persons | 2.7 persons | 3.5 persons | 3.2 persons | 3.0 persons | 2.7 persons |
| | Dollars spent | | | | Percentage going to different categories | | | |
| Total expenditures for consumption | 5,140 | 5,260 | 5,240 | 5,430 | 100 | 100 | 100 | 100 |
| Food and beverages—total | 1,700 | 1,630 | 1,600 | 1,560 | 33 | 31 | 31 | 29 |
| Food at home [1] | 1,380 | 1,310 | 1,220 | 1,160 | 27 | 25 | 23 | 21 |
| Food away from home [1] | 230 | 220 | 290 | 320 | 4 | 4 | 6 | 6 |
| Housing (dwelling upkeep) | 560 | 600 | 660 | 820 | 11 | 12 | 13 | 15 |
| Housefurnishings and equipment | 340 | 330 | 330 | 350 | 7 | 6 | 6 | 6 |
| Household operation—total | 400 | 420 | 450 | 470 | 8 | 8 | 9 | 9 |
| Fuel, light, refrigeration, water | 210 | 210 | 210 | 200 | 4 | 4 | 4 | 4 |
| Other household operation | 190 | 210 | 240 | 270 | 4 | 4 | 5 | 5 |
| Clothing and clothing services | 510 | 500 | 540 | 520 | 10 | 10 | 10 | 10 |
| Transportation—total | 770 | 900 | 770 | 840 | 15 | 17 | 15 | 15 |
| Automobile purchase, family share | 380 | 460 | 400 | 410 | 7 | 9 | 8 | 8 |
| Automobile upkeep, family share | 310 | 370 | 290 | 350 | 6 | 7 | 6 | 6 |
| Other travel and transportation | 80 | 70 | 80 | 80 | 2 | 1 | 1 | 1 |
| Medical care | 270 | 280 | 280 | 290 | 5 | 5 | 5 | 6 |
| Personal care | 120 | 120 | 130 | 120 | 2 | 2 | 2 | 2 |
| Tobacco | 100 | 100 | 90 | 80 | 2 | 2 | 2 | 1 |
| Recreation, reading and education—total | 300 | 310 | 330 | 310 | 6 | 6 | 6 | 6 |
| Recreation | 240 | 230 | 250 | 220 | 5 | 4 | 5 | 4 |
| Reading and education | 60 | 80 | 80 | 90 | 1 | 2 | 1 | 2 |
| Other goods and services | 70 | 70 | 60 | 70 | 1 | 1 | 1 | 1 |

[1] Excludes alcoholic beverages.

Source: U.S. Bureau of Labor Statistics (*13*). For adjustment to 1955 by U.S. Department of Agriculture, see explanation on page 34.

### *Individual Differences in Family Spending*

The spending patterns of two farm-operator families in the North Central region in 1955 presented in table 17 illustrate some of these differences in spending by families with several similar characteristics. Both families reported a net money income for the year of \$2,000 to \$3,000. Both were headed by men of about the same age, with wives of about the same age, and had two children less than 6 years old. There were sharp differences in their spending for food at home, housing, housefurnishings and equipment, transportation, medical care, and recreation, reading and education.

TABLE 17.—*Money expenditures of two farm-operator families with comparable net money income, and of comparable size and age, North Central region, 1955*

| Category of expense | Family A | Family B |
|---|---|---|
| | *Dollars* | *Dollars* |
| Total expenditures for consumption | 2, 400 | 2, 400 |
| Food and beverages—total | 927 | 366 |
| At home [1] | 916 | 324 |
| Away from home [1] | 11 | 42 |
| Housing (dwelling upkeep) | 56 | 367 |
| Housefurnishings and equipment | 488 | 156 |
| Household operation | 292 | 537 |
| Clothing and clothing services—total | 287 | 233 |
| Husband | 48 | 46 |
| Wife | 133 | 82 |
| Children | 84 | 77 |
| Materials, services | 22 | 28 |
| Transportation | 87 | 208 |
| Medical care | 62 | 366 |
| Personal care | 55 | 51 |
| Recreation, reading and education | 24 | 111 |
| Other goods and services | 122 | 5 |
| Personal insurance | 95 | 0 |
| Gifts and contributions | 190 | 232 |

[1] Includes alcoholic beverages.

Source: Unpublished data from study of farmers' expenditures in 1955.

Wide variation in spending of individual families who would be classified in the same subgroup in computing average expenditures appears from an examination of a number of expenditure schedules. These schedules were for farm-operator families composed of husband and wife only, with the husband between 35 and 44 years old, all with incomes between \$1,000 and \$2,000 in the North Central region in 1955. This is the age group in which farm incomes usually reach their peak. These families spent on an average \$2,111 for current consumption. For food and beverages, the lowest amount spent by any family was \$308, but one family spent \$815, the highest reported. In housing, the range was all the way from nothing, reported by one, to \$351 for the highest. The lowest and highest reported by any family, not necessarily the same family in each low and each high instance, for the other categories of consumption and insurance and gifts were as follows:

| | *Low* | *High* |
|---|---|---|
| Housefurnishings and equipment | \$72 | \$392 |
| Household operation | 229 | 347 |
| Clothing and personal care | 272 | 661 |
| Transportation | 77 | 322 |
| Medical care | 95 | 268 |
| Recreation, reading and education | 6 | 71 |
| Personal insurance | 74 | 552 |
| Gifts and contributions outside the family | 34 | 132 |

Such differences in spending show why families cannot use average expenditures of other families as rigid guides to their own spending. They make clear the basic fact that each family's spending must finally be that which meets its own needs and preferences, within the framework of its resources.

# Section VII.—Saving and Debt Patterns of Other Families

## Data Available

The 1955 farm survey cited in section VI was limited to expenditures for current living. Savings data for urban families and single consumers in 1950 are available from the U.S. Bureau of Labor Statistics study. They are also available for families of two or more, both urban and farm, in 1941 and 1935–36 from studies made by the Bureau of Labor Statistics and the U.S. Department of Agriculture. These data show general similarity in the pattern of deficit or surplus by income level. This similarity is evident even though the survey periods are far apart in time and in general economic conditions prevailing. The similarity suggests that a comparable later study, if available, might show much the same basic change from average deficit at low income levels to average surplus at higher incomes.

The Survey Research Center of the University of Michigan, in cooperation with the Federal Reserve Board, conducted yearly surveys of consumer finances from 1946 to 1959. From a nationwide cross section of spending units (families of two or more and single consumers) they obtained data for selected kinds of debt and "liquid assets" (but not for a more complete reckoning of deficit or surplus). Results were reported yearly in articles in the monthly Federal Reserve Bulletin. A special analysis and summary of their findings on debts and liquid asset holdings of spending units is available from the Board of Governors of the Federal Reserve System (*1*).

## Savings of Urban Families in 1950

The 1950 savings data for urban families follow the general patterns of surplus and deficit reported in earlier studies. At every income level there are some individual families who manage to save and others who are in the red over a period of a year. Also, a family may and often does owe debts, yet at the same time hold some liquid assets for emergencies or other reasons. But for the group as a whole, more come out in the red at the bottom of the income scale—some older families because they are living in part on reserves, some because of temporary factors, others for a variety of reasons; whereas, at the top of the scale relatively more families are savers. The amounts of the year's changes in savings and debts of all the surveyed families are shown in table 18. On the average, families at

TABLE 18.—*Average money income and outlay for current consumption, gifts and personal taxes, and savings of urban families of two or more persons, by net money income, United States, 1950*

| Income class (annual net money income after taxes) | Average family size | Distribution of families | Average money income before taxes | Disbursements: Current consumption | Disbursements: Gifts and personal taxes | Disbursements: Savings [1] | Income used for savings |
|---|---|---|---|---|---|---|---|
| | *Number* | *Percent* | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Percent* |
| Under $1,000 | 2. 4 | 2. 7 | 651 | 1, 863 | 76 | −50 | −7. 7 |
| $1,000–$1,999 | 2. 7 | 9. 2 | 1, 582 | 1, 892 | 72 | −320 | −20. 2 |
| $2,000–$2,999 | 3. 1 | 18. 2 | 2, 650 | 2, 809 | 117 | −278 | −10. 5 |
| $3,000–$3,999 | 3. 3 | 26. 1 | 3, 695 | 3, 613 | 311 | −206 | −5. 6 |
| $4,000–$4,999 | 3. 5 | 19. 1 | 4, 793 | 4, 469 | 514 | −130 | −2. 7 |
| $5,000–$5,999 | 3. 7 | 10. 7 | 5, 925 | 5, 277 | 679 | −64 | −1. 1 |
| $6,000–$7,499 | 3. 7 | 7. 3 | 7, 302 | 6, 062 | 932 | 136 | 1. 9 |
| $7,500–$9,999 | 4. 0 | 4. 0 | 9, 353 | 7, 160 | 1, 311 | 554 | 5. 9 |
| $10,000 and over | 3. 7 | 2. 7 | 18, 793 | 10, 808 | 4, 267 | 3, 521 | 18. 7 |

[1] "Savings" is defined as the total of increases in assets and decreases in liabilities less decreases in assets and increases in liabilities, but excludes personal insurance. Going into debt, or net dissavings is shown as a minus amount.

Source: U.S. Bureau of Labor Statistics (*13*).

the lower end of the income scale come out in debt. Families at somewhat higher incomes reach a break-even point, where for the group of families, on the average, incomes cover expenses but allow no margins for savings. At progressively higher income levels, on the average, families report larger and larger net savings.

In studies made in the 1930's the savings by farm families were notably larger at comparable cash levels than those made by urban families. This was due in part to the strong incentive of farm families to save in the form of paying off the farm mortgage. Also, home-produced food and fuel and lower cash outlays for housing made it possible. In studies made in the 1940's the savings differential between farm and urban families had narrowed, due in part to wartime savings programs, and in part to higher farm family levels of current living.

### Individual Families

At all income levels, there are always some individual families who save and others who go into debt or draw on their past savings, over a period such as a year. Some of those at the lower income levels who spend more than their incomes are retired people drawing on previous savings. Others have had their normal real income cut by unemployment, price changes or other temporary factors, and have not cut their living correspondingly. Some have unusually high medical or other emergency needs. Again, there are young people who anticipate higher future earnings and have made many purchases to set up housekeeping. Some are young couples with additional babies arriving. Others who cannot save are those unable to resist sales appeals beyond their means.

At higher income levels, many who go into debt or reduce their savings do so to make substantial purchases such as automobiles or major items of household equipment. At still higher levels, more families have enough current income to pay all or a large part in cash for such purchases and to meet emergency needs; hence, they incur smaller average deficits.

Families at relatively low-income levels who achieve a surplus include some, especially older people, who already have paid for their homes and have a supply of equipment and clothing. Some have very low food costs because of home production, or receive important parts of their living costs as pay in kind. Others have put a big savings goal, such as paying for a farm or business, ahead of current living. At higher income levels, the savers are in part people who have recently moved up in income, or whose needs are temporarily low. Other higher income savers have made substantial reductions in installment or other debt outstanding without taking on new commitments. Still others have steadily increasing assets from regular payments on mortgage or purchase of bonds or other payments.

### Single Consumers

For single consumers in cities, the break-even point in 1950 was at a higher income level than in the defense and war savings period of 1941. With usually only themselves dependent on the income, single consumers managed to save at a lower income than families (table 19). However, when incomes are computed on a per capita basis, the urban families in 1950 had a lower break-even point than the urban single consumers.

TABLE 19.—*Average money income and outlay for current consumption, gifts and personal taxes, and savings of single urban consumers, by net money income, United States, 1950*

| Income class (annual net money income) | Distribution of single consumers | Average money income before taxes | Disbursements: Current consumption | Disbursements: Gifts and personal taxes | Disbursements: Savings [1] | Income used for savings |
|---|---|---|---|---|---|---|
| | *Percent* | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Percent* |
| Under $1,000 | 29. 4 | 614 | 933 | 75 | −365 | −59. 4 |
| $1,000–$1,999 | 32. 3 | 1, 569 | 1, 541 | 182 | −147 | −9. 4 |
| $2,000–$2,999 | 22. 5 | 2, 708 | 2, 248 | 425 | −15 | −. 6 |
| $3,000–$3,999 | 10. 1 | 3, 806 | 2, 851 | 745 | 147 | 3. 9 |
| $4,000–$4,999 | 3. 0 | 4, 890 | 3, 649 | 1, 070 | 66 | 1. 3 |
| $5,000–$5,999 | 1. 3 | 5, 969 | 4, 213 | 1, 261 | 311 | 5. 2 |
| $6,000 and over | 1. 4 | 11, 114 | 5, 561 | 2, 569 | 2, 968 | 26. 7 |

[1] For definition of "savings," see table 18, page 48, footnote 1.

Source: U.S. Bureau of Labor Statistics (*13*).

TABLE 20.—*Percentage of spending units with debt and with liquid assets, by age of head, United States, early 1959*

| Units | Age of head | | | | | |
|---|---|---|---|---|---|---|
| | 18–24 years | 25–34 years | 35–44 years | 45–54 years | 55–64 years | 65 years and over |
| All spending units | 100 | 100 | 100 | 100 | 100 | 100 |
| With no liquid assets [1] | 31 | 23 | 24 | 25 | 22 | 29 |
| With liquid assets of [1]— | | | | | | |
| $1–$199 | 36 | 27 | 18 | 15 | 12 | 9 |
| $200–$499 | 16 | 20 | 13 | 11 | 11 | 8 |
| $500 and over | 17 | 30 | 45 | 49 | 55 | 54 |
| With no debt | 29 | 14 | 18 | 28 | 49 | 69 |
| With installment debt [2] | 60 | 69 | 58 | 50 | 28 | 17 |
| With mortgage debt [2] | 9 | 34 | 47 | 40 | 25 | 11 |

[1] Excludes U.S. Government marketable bonds.
[2] Includes units with both installment debt and mortgage debt.

Source: Federal Reserve Board. "1959 Survey of Consumer Finances." Tables La–22a, La–22b, and D–3. [Unpublished.]

## Debt and Liquid Assets

Data on selected kinds of debt and liquid assets in early 1959 by family income class and by age of head are available from the Federal Reserve Board. They show that older families (table 20) more often than younger ones have no debt; they also hold larger liquid assets. More families at higher than at lower income levels hold liquid assets and in larger amounts (table 21). Mortgage debt is most frequent among families with heads aged from 35 to 44, a time when many families reach their maximum size.

## Installment Debt

Charts 2 and 3, based on data from the Federal Reserve Board, show installment debt in early 1959 by family income class and by age of head. They indicate the greatest users of installment credit are people in the middle to upper middle income group, and the least, those at both lower and higher income levels. They

TABLE 21.—*Percentage of spending units with debt and with liquid assets, by money income before taxes, United States, early 1959*

| Units | 1958 money income before taxes | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | $1,000–$1,999 | $2,000–$2,999 | $3,000–$3,999 | $4,000–$4,999 | $5,000–$5,999 | $6,000–$7,499 | $7,500–$9,999 | $10,000 and over |
| All spending units | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| With no liquid assets [1] | 50 | 44 | 28 | 21 | 14 | 7 | 4 | 2 |
| With liquid assets of [1]— | | | | | | | | |
| $1–$199 | 14 | 15 | 26 | 28 | 26 | 24 | 13 | 4 |
| $200–$499 | 10 | 9 | 11 | 17 | 17 | 19 | 15 | 8 |
| $500 and over | 26 | 32 | 35 | 34 | 43 | 50 | 68 | 86 |
| With no debt | 53 | 39 | 31 | 26 | 21 | 20 | 19 | 33 |
| With installment debt [2] | 29 | 43 | 52 | 56 | 59 | 63 | 59 | 38 |
| With mortgage debt [2] | 11 | 15 | 19 | 29 | 43 | 46 | 57 | 53 |

[1] Excludes U.S. Government marketable bonds.
[2] Includes units with both installment debt and mortgage debt.

Source: Board of Governors of the Federal Reserve System (*2*, sup. table 7, p. 715); Federal Reserve Board table D–2. [Unpublished.]

also show the greatest users are young families, with the peak among those whose head is aged 25 to 34, the age when children are small and needs are heavy.

The wage or salary of a working wife frequently raises the family income to the range where installment debts are common. Studies show that families with working wives are somewhat more likely to have installment debt than those without this second income.

Suburban families tend to use installment credit more than either city or rural families. They are likely to be young families with children, owners of homes with need for household furnishings and equipment, and power lawnmowers, and requiring one or more automobiles. There are regional differences, too, related in part to the composition of the population. Negro families are more likely than white families to be users of installment credit.

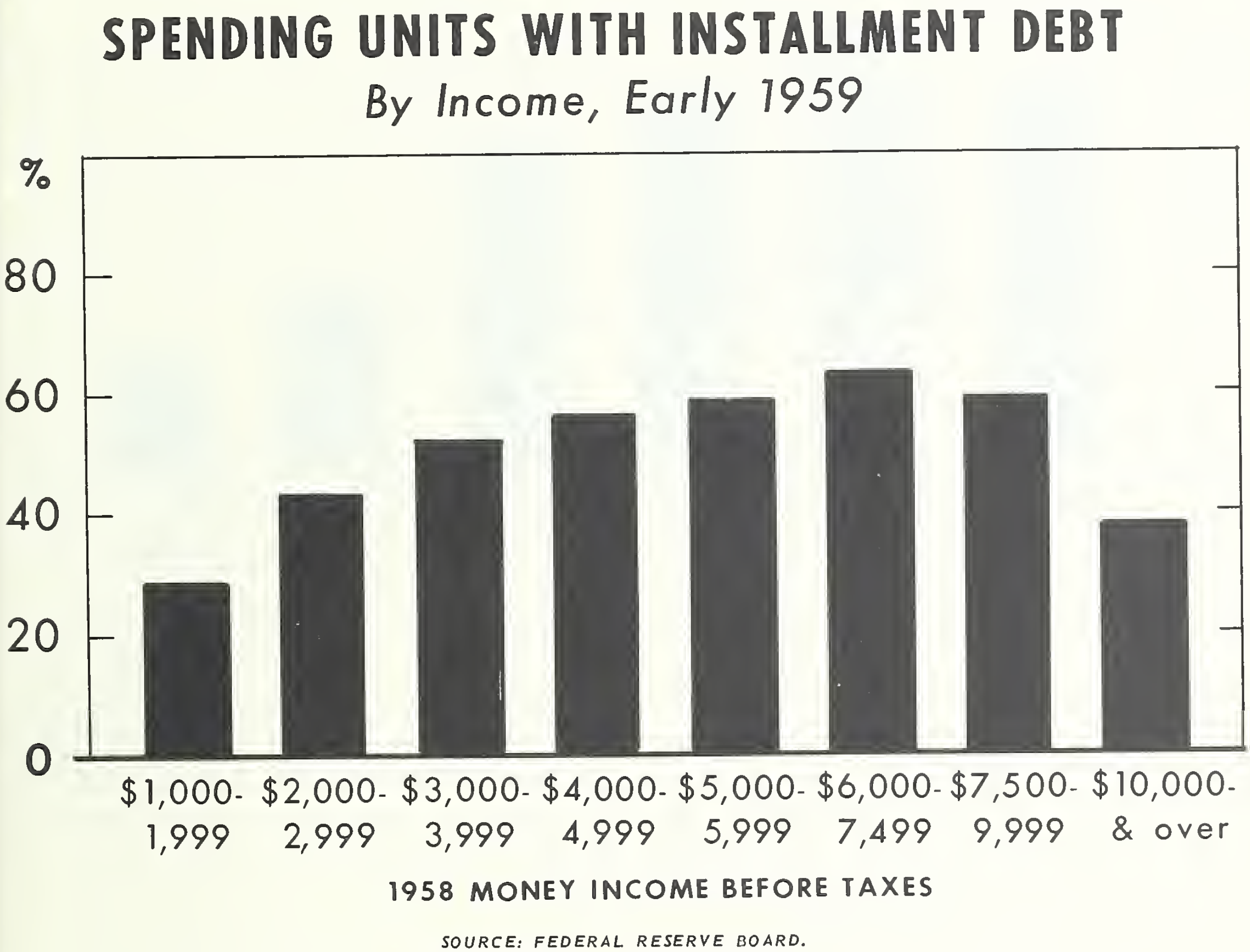
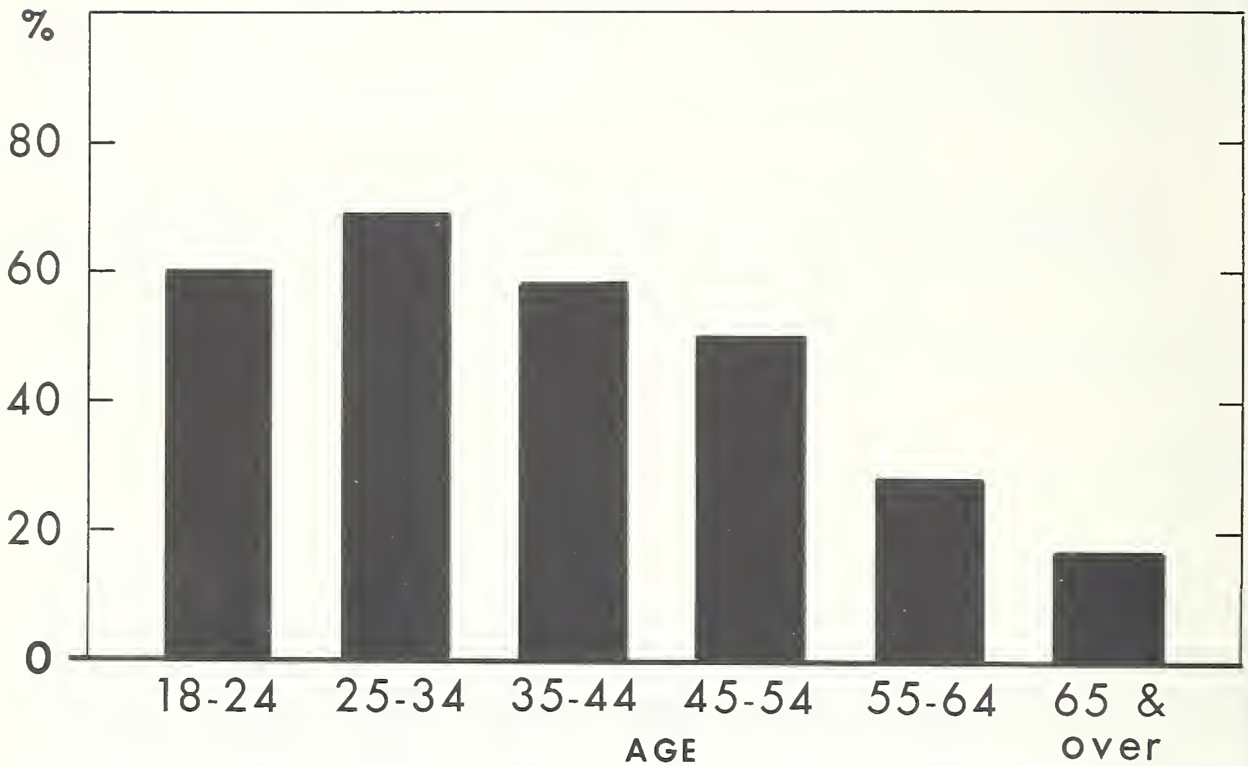



Chart 2

## SPENDING UNITS WITH INSTALLMENT DEBT

*By Age of Head, Early 1959*




SOURCE: FEDERAL RESERVE BOARD.

CHART 3

# Section VIII.—Interest Rates, Cost of Consumer Credit, and Other Long-Range Family Financial Considerations

## The Effect of Interest

Interest paid on debt or received on savings may make a big difference in family finances. Added to the cash purchase price when payments are deferred, interest charges mount up to greater dollar cost than many families realize. The higher the interest rate and the longer the time payments are spread out, the more dollars are paid above the cash price. Interest received on savings of various sorts and left to compound can grow into a sizable reserve fund or nest egg, even if the amounts set aside are small at first.

### *Compound Interest*

The following table 22 and chart 4 show the effect of annually compounded interest. The higher the rate, and the longer the period of time involved, the greater the final sum. On savings, this means that the higher the rate obtained with safety, the greater the final spendable amount will become.

If funds can be left to draw interest at 6 percent compounded annually, the original investment doubles in slightly less than 12 years, at 5 percent in 14 years, at 4 percent in less than 18 years, and at 3 percent in a little more than 23 years. The increases come faster after the first few years because of the compound effect of receiving interest on the interest already earned.

The table shows interest rates only up to 6 percent, which is close to the highest safe investment return a family is likely to have. But families frequently pay for credit accommodation as much as 12, 18, 36 percent or more at true annual interest rates. Making payments for a year at the annual rate of 36 percent is the same as paying $136 for an item that would cost $100 cash. Making such payments for 2 years, at simple interest rates is equivalent to paying $172 for the item with a cash price of $100.

## True Cost of Consumer Credit

Consumer credit is a service with a price that can and should be shopped for. Many families are unaware of what they pay for it. Rates charged vary considerably from dealer to dealer, with the size of purchase under consideration, with the credit reputation of the purchaser, with the length of the loan period, with the organization or institution to which the purchaser will ultimately owe his payments—that is the dealer or retailer himself, a large commercial credit corporation, a bank, credit union or other source—and with the laws of the particular State.

TABLE 22.—*Growth of $100 at interest compounded annually*

| At the end of— | Amount of original $100 plus accumulated interest at the annual rate of— | | | | | |
|---|---|---|---|---|---|---|
| | 2 percent | 3 percent | 3½ percent | 4 percent | 5 percent | 6 percent |
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| 1 year | 102 | 103 | 103 | 104 | 105 | 106 |
| 2 years | 104 | 106 | 107 | 108 | 110 | 112 |
| 3 years | 106 | 109 | 111 | 112 | 116 | 119 |
| 5 years | 110 | 116 | 119 | 122 | 128 | 134 |
| 7 years | 115 | 123 | 127 | 132 | 141 | 150 |
| 10 years | 122 | 134 | 141 | 148 | 163 | 179 |
| 12 years | 127 | 143 | 151 | 160 | 180 | 201 |
| 15 years | 135 | 156 | 168 | 180 | 208 | 240 |
| 20 years | 149 | 181 | 199 | 219 | 265 | 321 |
| 25 years | 164 | 209 | 236 | 267 | 339 | 429 |

Note: To find the accumulation of $1.00 (instead of $100) move the decimal two places to the left in each of the above numbers. To find the accumulation of $1,000 place one zero (0) to the right of each of the above numbers.

# GROWTH OF $100

## *At 3 ½ Percent Interest Compounded Annually*

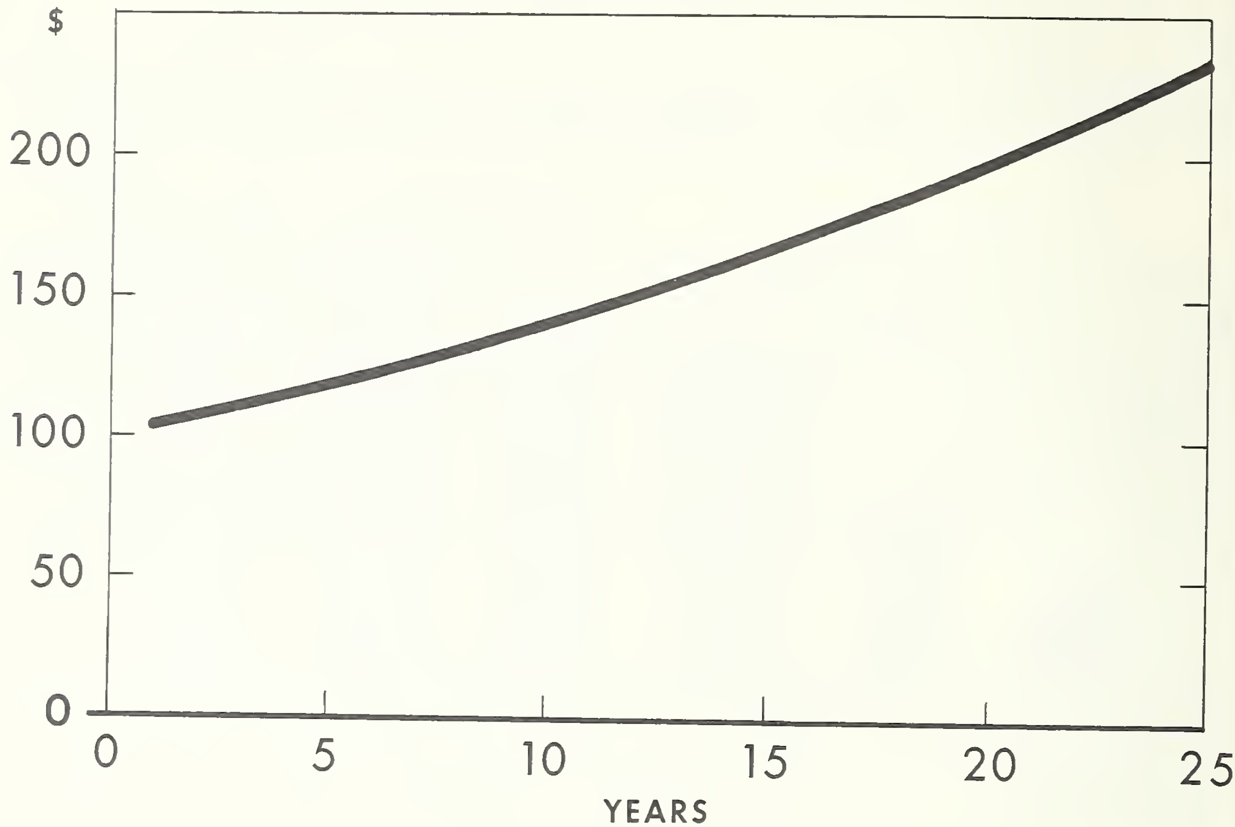



CHART 4

Charges for consumer credit necessarily cover more than interest on the unpaid balance. They cover such additional expenses to the seller or lender as the following: (1) Cost of investigation of credit worthiness of the applicant, (2) often cost of life insurance on buyer for period of the contract so that if he dies before completing payments, the seller can collect the balance owing from the insurance company, (3) cost of making out and processing the contract, (4) cost of bookkeeping and recordkeeping, (5) cost of making monthly or weekly collections, and (6) cost of allowing for delinquent payments and losses.

A disinterested study found a wide range of rates paid in various States to financing agencies as shown in table 23.

## Calculating Installment Credit Costs

Credit advertising tends to emphasize how easy it is to borrow but not what the cost is. A consumer interested in using credit should try to compare the costs of the various plans available to him by figuring their true annual interest rates.

He can use the following formula [5] for a plan that calls for repayments in equal monthly installments, provided he can get information as to the total finance charges in dollars (C in the formula) and the amount of credit received (B in the formula):

$$R=\frac{24C}{B(n+1)}$$

where:

R=annual true interest rate

C=total finance charges, whether called service fee, carrying charge, interest, or anything else, in dollars

B=amount of credit received

n=number of payments required to discharge the debt

[5] The formula shown above is referred to as a constant-ratio formula. It can be used only if repayment is to be monthly. If repayment is to be weekly, the formula can be adjusted as follows: $R=\frac{104C}{B(n+1)}$. Other more complicated formulas give slightly more accurate results, but these formulas are accurate enough for the consumer who wants to know the comparative cost of several credit plans.

TABLE 23.—*Range of rates paid by consumer credit users*

| Financing agency or type of loan | Rates paid by consumer credit users (equivalent percent per year on unpaid balance) | | |
|---|---|---|---|
| | Common rate | Range of rates | |
| | | Low | High |
| | *Percent* | *Percent* | *Percent* |
| A. Cash lenders: | | | |
| Credit union | 12 | 6 | 12 |
| Industrial banks | 15 | 12 | 24 |
| Remedial loan societies— | | | |
| Pledge loans | 24 | 9 | 36 |
| Other loans | 18 | 15 | 30 |
| Commercial banks— | | | |
| Personal loans | 12 | 8 | 36 |
| Consumer finance companies under small loan laws | 30 | 16 | 42 |
| Pawnshops | 36 | 24 | 120 |
| Illegal lenders | 260 | 42 | 1, 200 |
| B. Retail installment financing in 5 States havin rate legislation —12-month contract: | | | |
| New cars | 12 | 8 | 24 |
| Used cars under 2 years old | 24 | 9 | 31 |
| Used cars over 2 years old | 30 | 9 | 43 |
| Other commodities | 24 | 9 | 34 |
| C. Retail installment financing in States without rate legislation—12-month contract: | | | |
| New cars | 12 | 9 | 120 |
| Used cars | 40 | 9 | 275 |
| Other commodities | (1) | 9 | (1) |

[1] Not available.

Source: Mors, W. P. (*9*).

In an examination of a number of advertised installment credit plans made in 1959, annual true interest rates were found to range from 7 to 39 percent per year (table 24). In only one of these advertisements, that relating to item 1, was any mention made of the annual cost of the credit; in that case the charge was quoted as "$4 per hundred per year." Table 24 gives details of several plans examined. The true annual interest rates shown in the table were calculated by the use of the constant-ratio formula shown. These rates did not range as high as some reported in table 23, since that table covers plans in States not regulating installment credit, credit for used cars, and illegal rates.

### *Methods of Stating Installment Credit Charges*

The three methods generally used to state the finance charge on installment credit are add-on, discount rate, and interest on the unpaid balance.

Using the add-on method, the charge is calculated as if the borrower had the use of the total amount of the loan for the full period, and this charge is added on to the amount of the loan. For example, in item 1 from table 24, if $1,500 were borrowed for 30 months at an interest of 4 percent per annum, the total interest charges would be $150. With this method the interest charge of $150 "added on" to the $1,500 means the debtor has to repay $1,650. The $150 would be at a true annual interest rate of 4 percent if the borrower had the use of the $1,500 for 30 months and repaid the full amount at the end of that period. However, if he pays $1,650 in equal installments over a 30-month period, his true annual interest rate is nearly two times the "add-on" rate, since he has the use of the full $1,500 only the first month; the last month he has the use of only about $55.

Using the formula $R=\frac{24C}{B(n+1)}$, the approximate true annual interest rate in this transaction is:

$$R=\frac{24(\$150.00)}{\$1,500.00(31)}=\frac{\$3,600}{\$46,500.00}=0.0774 \text{ or } 7.7$$

percent.

When payments are completed in a shorter period, using the add-on method, the true annual interest rate is slightly lower. For example, if item 1 were repaid in 20 instead of 30 equal monthly installments, the rate would be 7.6 percent.

When credit charges are added on to the purchase price, and the buyer repays the total in 20 equal monthly payments,

| If the quoted rate is— | The buyer pays a true annual interest rate of— |
|---|---|
| 4 percent per year | 7.6 percent |
| 5 percent per year | 9.5 percent |
| 6 percent per year | 11.4 percent |
| 7 percent per year | 13.3 percent |
| 8 percent per year | 15.2 percent |
| 1 percent per month | 22.9 percent |

A discount rate is sometimes used for cash loans. The finance charge is calculated (as in the case of the add-on method) as if the borrower were to have the use of the face amount of the note for the full period. In this method, however, the dollar finance charge is deducted from the face amount of the note to determine how much the borrower receives.

Item 3 from table 24 is an example of the discount method. The face of the note for $1,500 is discounted at 7 percent per year; for 15 months the interest is $131.25. The borrower receives $1,500 less $131.25, or $1,368.75. If the borrower were to have the full use of $1,368.75 for 15 months, and repay this amount at the end of this period, his true interest rate would be slightly more than 7 percent. However, when he repays the note in installments, his true interest rate is slightly more than twice the discount rate of 7 percent, since he has the use, over the entire

TABLE 24.—*True annual interest rate of consumer installment credit*

| Item | Price of merchandise or stated amount of loan | Down-payment or amount discounted | Credit extended or cash advanced (2) − (3) | Repayment schedule: Monthly payment [1] | Repayment schedule: Months | Total amount paid in installments (5) × (6) | Total financing cost (7) − (4) | Approximate annual TRUE interest rate | Plan offered by— |
|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Number* | *Dollars* | *Dollars* | *Percent* | |
| 1. Automobile loan | 1,500.00 | -------- | 1,500.00 | 55.00 | 30 | 1,650.00 | 150.00 | 7.7 | Bank. |
| 2. Modernizing loan | 1,500.00 | -------- | 1,500.00 | 55.17 | 30 | 1,655.00 | 155.00 | 8.0 | Do. |
| 3. Unsecured personal loan | 1,500.00 | 131.25 | 1,368.75 | 100.00 | 15 | 1,500.00 | 131.25 | 14.4 | Do. |
| 4. Modernizing materials | 350.00 | -------- | 350.00 | 11.74 | 36 | 422.50 | 72.50 | 13.4 | Mail-order house. |
| 5. Furniture or major appliance. | 360.00 | 10.00 | 350.00 | 16.92 | 24 | 406.00 | 56.00 | 15.4 | Do. |
| 6. Revolving charge account. | -------- | Varied | -------- | -------- | -------- | -------- | -------- | 18.0 | Do. |
| 7. Unsecured personal loan | 100.00 | -------- | 100.00 | 6.72 | 20 | 134.40 | 34.40 | 39.3 | Consumer finance company. |
| 8. Unsecured personal loan | 500.00 | -------- | 500.00 | 28.88 | 20 | 577.60 | 77.60 | 17.7 | Do. |
| 9. Unsecured personal loan | 1,000.00 | -------- | 1,000.00 | 56.81 | 20 | 1,136.20 | 136.20 | 15.6 | Do. |
| 10. Holiday tour | 290.66 | 29.66 | 261.00 | 15.66 | 20 | 313.20 | 52.20 | 22.9 | Airline. |
| 11. Holiday tour | 909.00 | 91.00 | 818.00 | 48.02 | 20 | 960.40 | 142.40 | 19.9 | Do. |
| 12. Holiday tour | 2,763.05 | 277.05 | 2,486.00 | 142.53 | 20 | 2,850.60 | 364.60 | 16.8 | Do. |
| 13. Automobile loan | 2,000.00 | -------- | 2,000.00 | 173.53 | 12 | 2,082.36 | 82.36 | 7.6 | Bank. |
| 14. Automobile loan | 2,000.00 | -------- | 2,000.00 | 64.53 | 36 | 2,323.08 | 323.08 | 10.5 | Do. |
| 15. Automobile loan [2] | 3,126.15 | 1,042.05 | [3] 2,250.90 | 81.60 | 30 | 2,447.85 | 196.95 | 6.8 | Do. |
| 16. Automobile purchase [2] | 3,126.15 | 1,042.05 | [4] 2,266.60 | 86.89 | 30 | 2,606.59 | 339.99 | 11.6 | Sales finance company. |

[1] Final payment is rounded, when necessary, so (7) = (4) + (8).
[2] *Administered Prices-Automobiles*—Report of the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, U.S. Senate, p. 164, November 1, 1958.
[3] Includes $162.80 premium for fire, theft, comprehensive, and $50 deductible insurance for 30 months, and $9 initial membership fee (excluded if previously had policy with same company); also includes $4 filing and notary fees.
[4] Includes $182.50 fire, theft, comprehensive, and $50 deductible insurance, 30 months.

Source: McIntosh, M. B. *Why Installment Credit Costs Vary.* Presented at the 37th Annual National Agricultural Outlook Conference, Washington, D.C., November 1959.

15-month period, of only about one-half the discounted value of the note.

Using the formula $R=\frac{24C}{B(n+1)}$, the approximate true annual interest rate is:

$$R=\frac{24\ (\$131.25)}{\$1{,}368.75\ (16)}=\frac{\$3{,}150}{\$21{,}900}=14.38 \text{ or } 14.4$$
percent.

When the credit charges are subtracted from the stated amount of the loan at the time of the loan and the buyer repays the stated amount of the loan in 20 equal payments,

| If the quoted rate is— | The buyer pays a true annual interest rate of— |
|---|---|
| 4 percent per year | 8.2 percent |
| 5 percent per year | 10.4 percent |
| 6 percent per year | 12.7 percent |
| 7 percent per year | 15.1 percent |
| 8 percent per year | 17.6 percent |
| 1 percent per month | 28.6 percent |

The true annual interest rate for a 15-month loan discounted at 7 percent (item 3) from table 24 is a little lower than the rate for a 20-month loan listed above. That is to say, the rate is slightly lower for the shorter term loan under the discount method, just as it is under the add-on method.

In some types of installment contracts, interest is charged on the unpaid balance. The interest rate then is quoted per month, and the annual interest rate is simply the monthly rate times 12. The revolving charge account in item 6 of the table is an example. The monthly rate was 1½ percent of the unpaid balance, so the annual rate was 18 percent. Credit unions charge monthly rates on the outstanding balance, and consumer finance companies frequently do. Banks also offer check-credit loan accounts with a monthly rate charged on amounts outstanding.

When interest is charged on the unpaid balance,

| If the quoted rate is— | The buyer pays a true annual interest rate of— |
|---|---|
| ½ of 1 percent per month | 6 percent |
| ¾ of 1 percent per month | 9 percent |
| 1 percent per month | 12 percent |
| 1¼ percent per month | 15 percent |
| 1½ percent per month | 18 percent |
| 1¾ percent per month | 21 percent |
| 2 percent per month | 24 percent |

The true annual interest rate is not affected by the length of the loan period when interest is calculated on the unpaid balance.

*Cash price versus credit price.*—The simplest way for many consumers to see what they are paying for an item purchased on the installment plan is to compare the cash and the credit price. The credit price is the total amount that the consumer will pay if he signs the contract. It is the total of the trade-in allowance if any, any additional downpayment, and the amount of the regular payment times the number of such payments required to complete the contract. It includes all service charges, extra fees, or other expenses (summarized as a "financing cost" in table 24, column 8) which may be added to the cash price. The cash price, if not stated, can be found by asking what the charge would be if the consumer does not sign a contract but pays cash instead. The difference between the two is the premium the consumer pays to take possession of the item before instead of after it is fully paid for.

Example 16 in table 24 indicates the cost of buying an automobile on credit:

| | |
|---|---|
| Cash price of car (including 2-percent sales tax) | $3,126.15 |
| ⅓ downpayment | 1,042.05 |
| Unpaid balance on car | 2,084.10 |
| Car insurance for 30 months (covers fire, theft, comprehensive, and $50 deductible collision insurance) | 182.50 |
| Balance to be financed | 2,266.60 |
| Finance charge (6-percent "add-on" rate for 30 months) | 339.99 |
| Total contract | 2,606.59 |
| Monthly payment ($2,606.59 ÷ 30) | 86.89 |

The approximate true annual interest rate on this car, according to the formula on page 54 is 11.6 percent. The difference between the cash price and the credit price is $339.99, the premium the family pays to drive the car before it has finished payments. Besides, the cash buyer may select somewhat cheaper insurance than the credit buyer is required to carry.

## Mortgage Costs

A comparison can be made among the ways different families might pay for a $15,000 house (table 25), with the interest rate in each case being 6 percent. The families make different downpayments and take different numbers of years to repay their loans.

Family E, which can pay $1,000 down and complete payments in 20 years, will pay $3,114 less interest than Family C, which makes only $750 downpayment and takes 25 years to pay. And it pays $7,063 less than Family A, which may have thought it was lucky to buy a house with no downpayment and take over 30 years to pay. Family A might not have felt so lucky if it had realized it was going to pay nearly $17,000 in interest, more than the purchase price of the house, before it was through.

TABLE 25.—*Ways five families might purchase a $15,000 house with various monthly payments at 6-percent interest rate*

| Family | Down-payment | Monthly payment (principal and interest) | Time required to pay off loan | Total interest paid during life of loan |
|---|---|---|---|---|
| | *Dollars* | *Dollars* | *Years* | *Dollars* |
| A | 0 | 88 | 30 | 16, 828 |
| B | 0 | 95 | 25 | 13, 557 |
| C | 750 | 90 | 25 | 12, 879 |
| D | 0 | 106 | 20 | 10, 462 |
| E | 1, 000 | 99 | 20 | 9, 765 |

Another comparison, table 26, shows substantial differences in amounts of interest required to pay off a $15,000 mortgage in 15 years depending on rates of interest.

TABLE 26.—*Total interest costs on $15,000 loan, payable in monthly installments over a 15-year period, at different interest rates*

| Annual interest rate, percent | Monthly payment (principal and interest) | Total interest paid during life of loan |
|---|---|---|
| | *Dollars* | *Dollars* |
| 4.5 | 114 | 5, 531 |
| 5.0 | 118 | 6, 195 |
| 6.0 | 125 | 7, 554 |
| 7.0 | 133 | 8, 945 |

The advantage of spreading payments over a long period of years is the smaller monthly requirements, which leaves more for current spending. The disadvantage is the larger total interest cost.

How the interest mounts up over the years is indicated in table 27. When the annual rate is 6 percent, the total interest paid over the 15-year life of a loan is more than half the amount of the original loan. In 25 years it is nine-tenths. To the extent that there are service charges, collection fees, insurance charges, late payment penalties, and refinancing charges, the total cost paid for the use of the money will be correspondingly increased.

The foregoing facts are not shown with a view to discouraging the purchase of a home, which is often one of the finest kinds of family investment. However, they show the amount the family will save in the end if it makes as large a downpayment as it can possibly muster, and the

TABLE 27.—*Total interest costs on $15,000 loan, at 6-percent annual interest rate, payable monthly over varying periods of time*

| Time required to pay off loan, years | Monthly payment (principal and interest) | Total interest paid during life of loan |
|---|---|---|
| | *Dollars* | *Dollars* |
| 5 | 289 | 2, 333 |
| 10 | 165 | 4, 841 |
| 15 | 125 | 7, 554 |
| 20 | 106 | 10, 462 |
| 25 | 95 | 13, 557 |

importance of careful weighing of present and future needs and commitments. A desirable contract provides for payments as large as the family can afford at the present time, with the right to repay the loan at a faster rate than originally agreed upon if the borrower later so desires. Mortgages guaranteed by the Veterans' Administration are compelled to include this provision and without penalty.

The same facts show the importance, for a newly married couple or young people looking forward to marriage, of putting regular sums into a savings account toward the future purchase of a home.

## Family Savings

### Set-Asides

The way in which a set-aside as small as $15 a month grows when put into a savings institution or investment which pays interest semiannually is shown in table 28 and chart 5.

Returns on funds invested in Series E Savings Bonds are shown in table 29. If held to maturity the bonds pay 3.75 percent, but they may be cashed at any time, with lower return the shorter the time the bond has been held.

TABLE 29.—*Yields on revised Series E Savings Bond—new purchases on or after June 1, 1959*

Schedule of redemption values and investment yields (Based on $100 bond, maturity value; $75, issue price)

| Period after issue date | Redemption value during each period | Approximate investment yields [1] on issue price to beginning of each period |
|---|---|---|
| | *Dollars* | *Percent* |
| First half year | 75. 00 | ------------ |
| ½ to 1 year | 75. 64 | 1. 71 |
| 1 to 1½ years | 76. 76 | 2. 33 |
| 1½ to 2 years | 78. 04 | 2. 67 |
| 2 to 2½ years | 79. 60 | 3. 00 |
| 2½ to 3 years | 81. 12 | 3. 16 |
| 3 to 3½ years | 82. 64 | 3. 26 |
| 3½ to 4 years | 84. 28 | 3. 36 |
| 4 to 4½ years | 86. 00 | 3. 45 |
| 4½ to 5 years | 87. 80 | 3. 53 |
| 5 to 5½ years | 89. 60 | 3. 59 |
| 5½ to 6 years | 91. 44 | 3. 64 |
| 6 to 6½ years | 93. 28 | 3. 67 |
| 6½ to 7 years | 95. 16 | 3. 70 |
| 7 to 7½ years | 97. 08 | 3. 72 |
| 7½ to 7 years and 9 months | 99. 00 | 3. 74 |
| Maturity value (7 years and 9 months from issue date) | 100. 00 | 3. 75 |

[1] Compounded semiannually.

Source: U.S. Treasury.

TABLE 28.—*Growth of set-asides of $15 per month, with interest compounded semiannually*

| At the end of— | Amount of fund if $15 is deposited each month, with interest compounded semiannually at the annual rate of— | | | | | |
|---|---|---|---|---|---|---|
| | 2 percent | 2½ percent | 3 percent | 3½ percent | 4 percent | 5 percent |
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| 1 year | 181 | 181 | 181 | 182 | 182 | 182 |
| 2 years | 365 | 367 | 368 | 370 | 371 | 374 |
| 3 years | 554 | 557 | 561 | 564 | 568 | 575 |
| 4 years | 746 | 752 | 759 | 766 | 772 | 786 |
| 5 years | 942 | 952 | 963 | 974 | 985 | 1, 008 |
| 10 years | 1, 982 | 2, 031 | 2, 081 | 2, 133 | 2, 187 | 2, 299 |
| 15 years | 3, 131 | 3, 252 | 3, 378 | 3, 512 | 3, 651 | 3, 951 |
| 20 years | 4, 400 | 4, 634 | 4, 884 | 5, 151 | 5, 436 | 6, 066 |
| 25 years | 5, 802 | 6, 199 | 6, 631 | 7, 101 | 7, 612 | 8, 774 |

Note: These calculations do not provide for the payment of interest on deposits made between interest payment dates. Some institutions do pay interest on deposits made between interest payment dates; in these cases the funds will increase somewhat faster.

# GROWTH OF SET-ASIDES, $15 PER MONTH

## At 3½ Percent Interest Compounded Semiannually

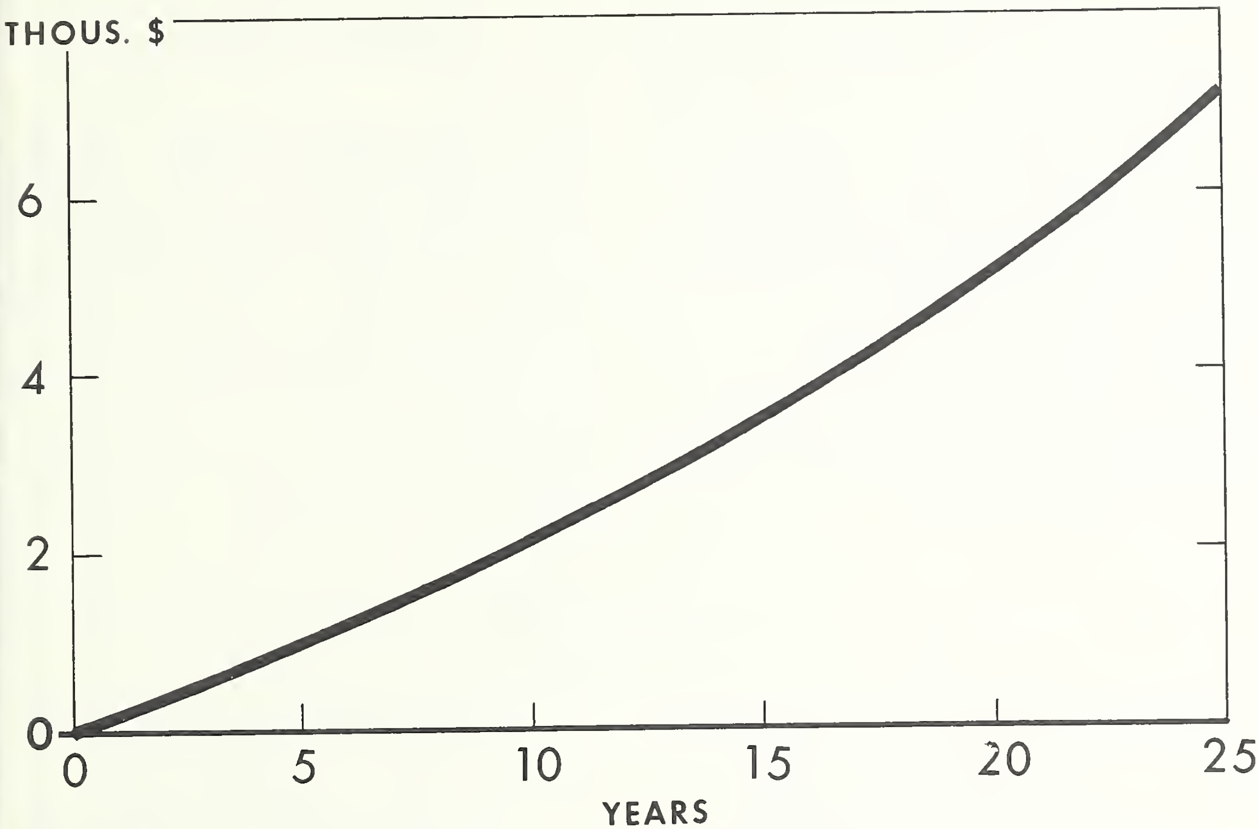



CHART 5

### *Savings Through Insurance*

Some families find the discipline of meeting an insurance premium the only way to make themselves save. Then if they face emergency needs, they can surrender the policy for cash or borrow from the insurance company with the loan secured by the amount of the cash value built up. Others prefer to purchase cheaper insurance that does not accumulate any cash surrender value. They then make their savings through other channels and can draw directly on those savings for emergency or special purposes.

A comparison of approximate premium rates for $1,000 of life insurance of four different types is presented in table 30. There is no savings element in term insurance; if the insured does not die, it has no cash value. Because of its low cost, it may be particularly useful at a time when insurance needs are high and income low, as when there are small children.

TABLE 30.—*Approximate annual premium rates for $1,000 of each of four types of life insurance (male)*

| Taken at age | 5-year term (renewable and convertible) | Straight life | Limited payment life (paid up at age 65) | 20-year endowment |
|---|---|---|---|---|
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| 15 | 6 | 13 | 14 | 47 |
| 20 | 6 | 14 | 16 | 47 |
| 25 | 6 | 16 | 19 | 47 |
| 30 | 7 | 19 | 22 | 48 |
| 40 | 10 | 26 | 33 | 50 |
| 50 | 18 | 38 | 59 | 55 |

Note: The premiums are about midway between the actual premium for participating and nonparticipating insurance. (In participating insurance the difference between premium paid and actual costs is refunded to the policyholders as a dividend. Nonparticipating insurance is sold at a lower annual premium and pays no dividend.)

Source: Institute of Life Insurance (7, p. 24).

The other three types—straight life, limited payment life, and endowment insurance—accumulate cash value from that part of the premium not used for coverage of risk and for operating costs of the insurance companies or associations. Such accumulation is a form of saving that can be used as a basis of borrowing, but it does not increase the face value amount that will be paid to survivors. Examples of these accumulations are shown in table 31. Such savings may be compared with other forms of saving with respect to rate of return, safety, cashability, supervision required, and hedge against inflation. Because of its higher cost, most families do not purchase endowment insurance until their more basic insurance needs have been met.

At later stages in life, some people prefer to convert their insurance into income for old age. This can be done through various types of annuity plans offered by life insurance companies. These are based on average life expectancies and on compound interest returns.

TABLE 31.—*Average cash values per $1,000 of each of three types of life insurance (male) at end of 5 and 15 years after issue*

| Taken at age | Straight life | | Limited payment life (paid up at age 65) | | 20-year endowment | |
|---|---|---|---|---|---|---|
| | After 5 years | After 15 years | After 5 years | After 15 years | After 5 years | After 15 years |
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| 15 | 21 | 133 | 24 | 145 | 177 | 684 |
| 20 | 29 | 157 | 33 | 174 | 177 | 684 |
| 25 | 37 | 184 | 45 | 209 | 177 | 683 |
| 30 | 47 | 215 | 58 | 252 | 176 | 681 |
| 40 | 73 | 286 | 100 | 386 | 176 | 675 |
| 50 | 104 | 366 | 193 | 735 | 176 | 662 |

Note: The cash value for a fourth type of life insurance, term, is always zero (0).

Source: Institute of Life Insurance. New York City. [Unpublished data.]

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PERSONAL CONSUMPTION EXPENDITURES BY TYPE OF PRODUCT. In Survey of Current Business. Published periodically.

# Other Publications Relating to Family Finances

In many communities there are public and private organizations that supply helpful material for planning family spending. Among them are the Extension Services of the various States and family service and welfare organizations. Many public libraries have materials on this subject, including periodicals that deal with consumer buying. Some banks, life insurance companies, and other financial institutions have publications on family accounts, spending plans, and buying specific goods. Publications of State Extension Services may be obtained by writing to the State Agricultural College in the appropriate State.

Some publications of the U.S. Department of Agriculture on these subjects are listed below. Single copies are available free while the supply lasts, except where the price is stated. Address requests for free copies to the Office of Information, United States Department of Agriculture, Washington 25, D.C. Copies that are for sale may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.

Nutrition up to date, up to you. GS-1 (Reprint from G-1). 28 pp. 1960.
Food guide for older folks. G-17. 16 pp. 1961. 10 cents.
Food for the family with young children. G-5. 16 pp. 1961.
Food for families with school children. G-13. 23 pp. 1961.
Food for fitness . . . a daily food guide. L-424. 8 pp. 1958.
Family food plans and food costs. HERR-20. 54 pp. 1962. 35 cents.

The following publications are useful as buying guides:

Tomatoes . . . facts for consumer education. AB-32. 21 pp. 1951. 10 cents.
Peaches . . . facts for consumer education. AB-54. 18 pp. 1951. 10 cents.
Potatoes . . . facts for consumer education. AB-178. 30 pp. 1957.
Tips on selecting fruits and vegetables. MB-13. 44 pp. 1961.
Know your butter grades. MB-12. 1960.
How to buy eggs. L-442. 1958.
U.S. grades for beef. MB-15. 12 pp. 1960.
Cheese buying guide for consumers. MB-17. 18 pp. 1961.
Clothing fabrics . . . facts for consumer education. HERR-1. 22 pp. 1957. 10 cents.
Buying women's coats and suits. G-31. 24 pp. Revised 1957.
Men's suits: how to judge quality. G-54. 31 pp. Revised 1958.
Cost of electricity and liquefied petroleum gas for cooking, refrigerating and water heating—facts for extension and home service leaders and others who work with consumers. AB-141. 14 pp. 1955.
Washing machines . . . selection and use. G-32. 22 pp. Revised 1958.
Home freezers . . . their selection and use. G-48. 21 pp. Revised 1961. 15 cents.

The following bulletins of the Children's Bureau of the U.S. Department of Health, Education, and Welfare, Washington 25, D.C., may be helpful. Single copies are available free from the Children's Bureau.

Your child from 6 to 12. No. 324. 141 pp. 1949.
The adolescent in your family. No. 347. 110 pp. Revised 1955.

Some buying guides from nongovernment sources include:

Changing Times. The Kiplinger Magazine. 1729 H Street, N.W., Washington 6, D.C.
Consumer Bulletin. Published monthly by Consumers Research, Inc. Washington, N.J.
Consumer Reports. Published monthly by Consumers Union of United States, Inc., Mount Vernon, N.Y.

The following references are suggested for further study of family financial management:


Bigelow, H. F.
1953. Family finance. A study in the economics of consumption. Rev. 502 pp., illus. Chicago, Philadelphia, New York.

Bradley, J. F., and Wherry, R. H.
1957. Personal and family finance. 565 pp., illus. New York.

Cohen, J. B., and Hanson, A. W.
1958. Personal finance: principles and case problems. Rev. ed. 819 pp., illus. Homewood, Ill.

Donaldson, E. F., and Pfhal, J. K.
1961. Personal finance. Ed. 3, 768 pp., illus. New York.

Finke, M. B., and Knox, H.
1950. Moneywise. 298 pp., illus. New York.

Fitzsimmons, C.
1951. The management of family resources. 682 pp., illus. San Francisco, Calif.

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1961. Consumer buying for better living. 546 pp., illus. New York.

Gilbreth, L. M., Thomas, O. M., and Clymer, E.
1959. Management in the home. 293 pp., illus. New York.

Gordon, L. J.
1961. Economics for consumers. Ed. 4, 561 pp., illus. New York.

Gross, I. H., and Crandall, E. W.
1954. Management for modern families. 579 pp., illus. New York.

Gruenberg, S. M., and Krech, H.
1955. Pennies in their pockets: helping children manage money. One of series entitled "Better Living Booklets." Science Research Associates. 44 pp., illus. Chicago, Ill.

Harwood, E. C., and Fowle, Helen.
1960. How to make your budget balance. American Institute for Economic Research. Great Barrington, Mass.

HOUSEHOLD FINANCE CO.
1952. MONEY MANAGEMENT—YOUR BUDGET. Money Management Institute. Prudential Plaza. Chicago, Ill.

JORDAN, D. F., and WILLETT, E. F.
1951. MANAGING PERSONAL FINANCES. Ed. 3, 381 pp., illus. New York.

KYRK, H.
1953. THE FAMILY IN THE AMERICAN ECONOMY. 407 pp., illus. Chicago, Ill.

LASSER, J. K., and PORTER, S. F.
1961. MANAGING YOUR MONEY. Rev. ed., 427 pp., illus. New York.

LEIBENDERFER, J. E.
1954. PLANNING YOUR FINANCIAL INDEPENDENCE. 294 pp., illus. Norman, Okla.

MORGAN, J. N.
1955. CONSUMER ECONOMICS. 440 pp., illus. New York.

MORS, W. P.
1959. CONSUMER CREDIT FACTS FOR YOU. Western Reserve Univ., Bur. of Bus. Res. Ed. 2, 32 pp. Cleveland, Ohio.

NICKELL, P., and DORSEY, J. M.
1959. MANAGEMENT IN FAMILY LIVING. Ed. 3, 551 pp., illus. New York, London.

PHELPS, C. W.
1955. USING INSTALMENT CREDIT. STUDIES IN CONSUMER CREDIT NO. 4. Commercial Credit Co. 80 pp., illus. Baltimore, Md.

ROGERS, C. E., and BURKE, M. C.
1956. HELPING YOU PLAN YOUR LIFE INSURANCE PROGRAM. 36 pp., illus. Council on Consumer Information. Colorado State College, Greeley.

SPRINGER, J. L.
1961. MAKE THE MOST OF YOUR INCOME. 214 pp., illus. Englewood Cliffs, N.J.

TROELSTRUP, A. W.
1957. CONSUMER PROBLEMS AND PERSONAL FINANCE. Ed. 2, 511 pp., illus. New York.

UNITED STATES DEPARTMENT OF AGRICULTURE.
1959. FOOD. The Yearbook of Agriculture 1959. 736 pp., illus. Washington, D.C.

WILSON, W. H., and EYSTER, E. S.
1961. CONSUMER ECONOMIC PROBLEMS. Ed. 6, 682 pp., illus. Cincinnati, Ohio, Chicago, Ill.

ZUTAVERN, A. B., and BULLOCK, A. E.
1954. THE CONSUMER INVESTIGATES. 529 pp., illus. Lincoln, Nebr., Kansas City, Mo.

The following references are suggested for those interested in estimating the cost of a specified standard of living in different cities of the United States:

HELLER COMMITTEE FOR RESEARCH IN SOCIAL ECONOMICS.
1961. QUANTITY AND COST BUDGETS FOR TWO INCOME LEVELS. Prices for San Francisco, September 1961. 87 pp., illus. University of California. Berkeley.

LAMALE, H. H., and STOTZ, M. S.
1960. THE INTERIM CITY WORKER'S FAMILY BUDGET. U.S. Bureau of Labor Statistics. Monthly Labor Review 83: 785–808, illus.

STOTZ, M. S.
1960. THE BLS INTERIM BUDGET FOR A RETIRED COUPLE. U.S. Bureau of Labor Statistics. Monthly Labor Review 83: 1141–1157, illus.



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